





Big and blue Is IBM doomed to decline?

By Jurek Martin in Washingt

Philip Stephens in London

ance of UN resolutions.

of Baghdad.

siles may be fired.

and David White and

James Whittington in Baghdad

COALITION AIRCRAFT led by

the US yesterday bombed missile

sites in the south and north of

Iraq in response to President Sad-dam Hussein's continued defi-

The raid in the southern air-ex-

clusion zone was designed to take

out surface to air missiles left

undamaged by last Wednesday's

attacks and came less than 24 hours after US cruise missiles hit

a nuclear weapons facility south

In the north, where on Sunday

an Iraqi MiG-23 was shot down

after venturing into the no-fly

zone, Iraqi radar reportedly locked on to US and British

aircraft, usually a sign that mis-

A US F-15 fighter jet apparently shot down an Iraqi MiG-25 fighter

yesterday over northern Iraq, US

defence officials said later. If con-

firmed, it would be the third Iraqi

jet shot down hy American warplanes for alleged violations of

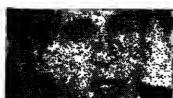
no-fly zones in northern and

southern Iraq since December 27.

did not attempt to assess the suc-

cess of the latest missinns, the

Initial reports In Washington



Mickey Kantor What to expect from

Clinton's trade man



Cream of the crop

The latest drugs for skin disorders

Survey The European

Section (II

Single Market





FINANCIAL TIMES

Europe's Business Newspaper

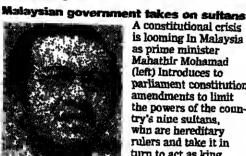
TUESDAY JANUARY 19 1993 Iraq says Baghdad raid killed 21
Kuwait to ask France and UK to send troops

Repsol share offer will bolster Spanish budget

State-controlled Spanish oil and gas group Repsol is to raise at least \$500m through an International issue of shares. The move, likely to go ahead within three months, will reduce the government's nwnership of the company to less than 50 per cent. The government is planning several disposals of state ahareholdings this year to reduce its

Rhône-Poulenc sale: The French government is to sell around 10 per cent (6m shares) of Rbône-Poulenc, France's flagship chemical group. The shares sale, postponed last month as a result of arratic stock market conditions, will go ahead today at FFr500 (\$92.60) a share.

Loan to Italy approved: European Community finance ministers approved an Ecu8bn (\$9.9bn) balance of payments loan to Italy to help government efforts to control the country's huge budget shortfall. Page 18



A constitutional crisis is looming In Malaysia Mahathir Mohamad (left) Introduces to parliament constitutional amendments to limit the powers of the country's nine sultans. whn are hereditary rulers and take it in turn to act as king.

Nine killed in US train crash: Up to nine people died when two commuter trains collided at Gary, Indiana, 25 miles from Chicago,

Honda strengthens Europe ties: Japanese car and motorcycle manufacturer Honda strengthened its position in the European motorcycle market with an alliance with Piaggio of Italy, Europe's higgest maker of motorcycles. Page 6

Brother industries in the red: Extreme pressure on Japan's machinery makers left office equipment and sewing machine manufacturer Brother Industries with a full-year operating loss of Y1.27bn (\$10.8m), the first since its listing 31 years ago. Page 22

German social spending cuts: The German economy's slowdown will lead to a rise in the government's net borrowing requirement and cuts in tax allowances and social spending. Page 18

Yves Saint Laurent shares suspended: Trading in shares of French fashion and cosmetics pharmaceuticals and beauty products arm of the state-owned Elf-Aquitaine oil group, were suspended amid speculation that YSL might be selling a significant share stake to Elf-Sanofi.

Japan's carmakers rethink strategy: A sharp fall in the Japanese car market is forcing manufacturers to consider alliances which could lead to a consolidation of the industry. Page 19

Virgin says BA's note inadequate: Virgin Atlantic Airways said it had received "an extremely brief confidential note" from British Airways which fell short of the the "act of good faith" it was seeking from its UK rival to avoid taking legal actinn against it in the US. Virgin last week won a libel action in the UK against BA. Page 19

Quntas told to lose jobs: An efficiency review of Australian carrier Qantas Airways recommends the shedding of 1,835 jobs - 9 per cent of its workforce. Last month, British Airways won the right to buy 25 per cent of the government-owned airline for A\$665m (US\$459m). Page 22

Avalanche kills villagers: Nine people died when an avalanche hit a village in north-east Turkey. Up to 61 others were feared trapped.

UK retail sales disappoint: Brisk retail trade in the UK shortly before Christmas failed to lift December sales above those of a year ago, according to the Confederation of British Industry. the UK employers' organisation. Page 8

Corsicans bomb homes: Corsican nationalists set off 32 bombs at holiday homes belonging to continental French families and foreigners on the French island. The attacks caused extensive damage but un casualties.

Managers on the line: Boris Fedorov, Russian deputy prime minister in charge of the economy. warned industrialists that managers who did not improve their companies' performances would be fired. Page 2

ESTOCK MARKET INDICES	a Sterling
	2.0) New York kunchtime: S 1.551
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ELONDON MONEY 3-rio Interbank	1 ₈) 0M 1,6165 (1.6355) Pfr 5,4675 (5,525)
Brest 15-day (Mar) \$17.45 [17 W Gold	(5) SFr 1.4895 (1.4975) y 125.65 (126.1) \$ index \$6.4 (66.7)

Continued on Page 18

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E Legal basis for action unclear Opposition to Saddem forms

complicated mosaic British uneasa over drift towards greater conflict Raids designed to give clear

PAGE 17 ■ Editorial Comment

third time in six days that the coalition forces have attacked Iraq. A White House statement said the action in the south had been taken in response "to Iraqi moves to reconstitute its surface-to-air missile systems". It said any further provocation hy Iraq will be dealt with "forcefully

and without warning". US president-elect Bill Clinton, in the midst of the celebrations of his inauguration tomprrow, said he fully supported efforts to hring the Iraqi leader "to full compliance with all UN Security Council resolutions". Addressing diplomats, be said: "I ask each of you to emphasise this point to your governments".

An Iraqi statement said 21 people had been killed in the latest allied attack. Iraq continued to insist that the exclusion zones were illegal. Baghdad radin

quoted vice-president Taba Yassin Ramadan as saying tha US, Britain and France were trying to divide up Iraq, which was

a vinlation of its sovereignty. Iraqi retaliation has so far been minimal. Air raid sirens sounded in Dhahran and Kuwait yesterday on rumours that Iraq had launched some of its remaining Scud missiles, but the Defence

Knwait said yesterday that it was planning to ask Britain and France to send troops as a furthar deterrent against Irsqi attacks amid growing concern over possible reprisals for the allied raids on Iraq. A battalionstrength US force arrived in

Kuwait last week. Russia, reflecting its unease over increasing western military action against Iraq, has called for a new meeting of the UN Security Council.

A foreign ministry statement repeated the Russian leadership's view that Iraq. by flouting UN resolutions on the Gulf, had pro-voked the crisis in which its civilians had been killed. But a Russian official described the air strikes as "counter-productive" and unlikely to bring Iraq "to common sense".

King Hussein of Jordan said he

was deeply angered by the repeated allied attacks on Iraq. But he said ha remained an "old friend of the United States" and was looking forward to having

US renews attack on Iraqi missiles

contacts with Mr Clinton. "It is certainly a moment of sprrow and anger for all of us ... We are very very sorry that conditions have deteriorated to this point," King Husseln said. The Arab League also expressed dismay at the attacks and Department in Washington said there was un avidence of this. rejected the use of force as a

means of resolving conflicts. The RAF said its Tornados inflicted heavy damage nn a command-and-control bunker at al-Najaf, which straddles the 32nd parallel on the border of the southern no-fly zone.

Initial indications were that all

three bombs from one of its Tornados had hit the target. But a second Tornado returned to base with its 1,000lh laser-guided bombs after failing to positively identify of the target.

Mr Malcolm Rifkind, the Brit-

ish defence secretary, warned of the possibility of further strikes but faced visible unease among MPs about the allies long-term strategy to deal with Mr Saddam. Alert to the sensitivities in the Arab world and to the concern at Westminster, Mr Rifkind stressed that the latest strikes had been

strictly proportionate tn iraq's deflance of UN resolut-

Downing Street revealed that UK prime minister, Mr John Major, had spoken to President cated border.

George Bush six times over the weekend hut denied that Britain was restraining a more belligerent approach by the US.

The Pentagon confirmed last night that the Rashid hotel in Baghdad, where two employees were killed, had been hit by s cruise missile. However, it said the missile had been shot down by Iragi anti-aircraft fire.

Mr Hamed Youssef Hummai the information minister, said Iraq was prepared to enter talks but would not be terrorised by

air strikes. In New York, a UN spokesman confirmed that six Iraqi police posts had been withdrawn from the territory which reverted to Kuwait under the newly demar-



President-elect Bill Clinton addresses Georgetown University, Washington Foreign policy pledge, Page 18

UN experts say target made N-weapon parts

By Alan Friedman in New York and Mark Nicholson

INTERNATIONAL experts the international Atomic Energy-had been used in the manufaccruise missiles on Sunday was part of Iraq's nuclear pro-

Mr Maurizin Zifferero, head of the UN team responsible for monitoring the nuclear pro-gramme, said his team had no drubt equipment there was used in the manufacture of calntrons, which are used in the electromagnetic enrichment of ura-

Iraqi officials have protested that the site, which houses dozens of factory huildings over a

Brussels

cuts EC

growth

forecast

By Lionel Barber in Brussels

THE EUROPEAN Commission

yesterday cut its forecast for

growth in European Community

countries this year to 0.8 per cent

from 1 to 1.5 per cent. it laid most

of the blame on the sluggish Ger-

man economy. EC finance ministers in Brus-

sels reacted with an effort to talk

up prospects for an early cut in

European interest rates, an accelerated growth package and the view that the worst of the crisis

in the exchange rate mechanism

In a joint statement, ministers

reaffirmed their determination to

support member states participat-

ing in the ERM and issued an

unusual statement welcoming

the new Irish government's deci-

sion to defend the punt's existing parities with other ERM curren-

cies. "The Council believes this

policy is entirely justified," min-isters said.

Mr Henning Christopharsen

Was over.

wide area, produced only fix-tures, moulds and dies and had no military significance. six main centres in Iraq's project to develop nuclear weapons. "The Iraq's themselves have Mr Zifferero, speaking from

yesterday confirmed that the Agency headquarters in Vienna, ture of calutrons," he said.

military-industrial plant near said that while factories on the Baghdad which was hit by US site did indeed turn out such retary-general of the Uranium products, his inspectors had tagged for destruction beavy lathes and milling equipment He said inspectors, who had

visited the site, code-named Al-Rabiya, four times, were in no doubt the equipment was used in the manufacture of calutrons. He added that the site, along with the nearby al-Dijila complex which produced electronic components identified as being part of Iraq's nuclear pro-

gramme, represented one of the

Xerox plans to

shed financial

admitted to us that these tools

Institute and a former chief UN nuclear inspector in Iraq, said in London yesterday he had visited the Iraqi site nn three occasions. He described it as a very

impressive and advanced machine tool layout". Westernmade equipment included com-puter and numerically controlled machine tools. US nfficials yesterday

described the site as a multi-hillion dollar complex which Iraq would be unable to

services operations By Nikki Tait in New York

XEROX, the US documentprocessing group, yesterday announced plans to shed its remaining insurance and financial services businesses, in order to concentrate on cure operations.

The husinesses which are to be discarded include Furman Selz, the New York brokerage house: Crum and Forster, the property-casualty nperation; and Xerox Life, a life insurance and annuity

Xerox said it would take an after-tax charge of \$778m in the fourth quarter as a result of the move. This figure includes a net \$288m to strengthen reserves at Crum and Forster, plus \$470m for a partial writedown of goodwill sttaching to the financial services and insurance businesses.

To belp maintain its own financial position, Xerox added that its board was considering the issue of up to \$500m of new equity during the first half of 1993. Mr Paul Allaire, chairman.

said: "It is imperstive that Xerox continue to maintain its strong halance sheet, both to make sure our document-processing hust-ness has the financial resources Italian loan deal, Page 18 1 to meet its growth objectives and

glement from nur insurance and other financial services husi-

Yesterday's announcement follows a series of steps by Xerox in recent years to reduce its troublesome foray into the financial services sector, which is reckoned to have cost about \$3bn.

It has already pulled nut nf third-party financing and, on the insurance side, has withdrawn from standard personal property and casualty business. Last October, Xerox also sold its Van Kampen Merritt operation, which provides investment advisory services, for \$350m to Clayton, Dubiher & Rice, the New York-based buy-out specialists.

Crum and Forster was acquired by Xerox in 1983, to balance the company's then-flagging copier operations. The current restructuring of the insurance operation is designed to focus it nn specific segments of the propertycasualty market, and Xerox hopes that the individual units within Crum and Forster would now be "viable, profitable entities" and attract investors.

In the first nine months of 1992, Xerox made after-tax profits of \$28m from financial services, compared with \$374m from the

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economics commissinner, said the statement reflected s joint helief that recent speculation against the punt, the French franc and the Danish krone was

Markets

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P1.3.75 Spain P1.200
Nairs20 Sweden SK15
HKr16.00 Switz SF3.20
OR1.55 Synta S200.00
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THE FINANCIAL TIMES LIMITED 1993 Nn 31,966 Week Nn 3

LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Shape up or be fired, Russian managers told

RUSSIAN industrialists were warned yesterday that those who failed to improve their companies' performance would be sacked and replaced.

Mr Boris Fedorov, the new

Russian deputy prime minister in charge of the economy and finance, issued the warning, stressing that the new government would bave to crack down much harder on inflation and on the budget deficit than did the previous government of Mr Yegor Gaidar.

He said that Mr Viktor Chernomyrdin, the new prime minister, and his team - largely inherited from Mr Gaidar - would be "more decisive in the battle against inflation". In a direct criticism of Mr Gaidar, he said: "The Gaidar government was repeatedly accused of having a rigid monetary policy - hut it did not. Billions of roubles were poured into the economy." A decree hacked by Mr Chernomyrdin and signed by him on the last day of 1992 to control prices by extending profit controls on enterprises producing essential foodstuffs had, be said, been rendered null and void. "This government will not try to extend controls on prices."

The measures to be taken to restructure Russia's vast and generally inefficient state sector appear to conform to the ideas put up by some industrialists for a more active industrial policy by the state. This line was endorsed by President Boris Yeltsin, the Congress of People's Deputies in December and, in a more muted fashion, hy Mr Gaidar himself.

Promising strong measures

By Leyla Boulton in Moscow

and Daniel Green in London

RUSSIA will this week invite

Sonth African officials to

Moscow for formal talks on

supplying Pretoria with con-

verted SS-20 Intermediate-

range missiles to launch nine

space satellites, Moscow has

informally offered to launch

South African observation sat-

ellites at one quarter the price

A formal offer is likely to

beighten concerns among US

of a western launch.

Ukrainian President Leonid Kravcbuk announced yesterday that Ukraine and Russia had reached a tentative agreement on division of the former Soviet Union's foreign debts and assets, writes Chrystia

He said the proposal, agreed at meetings in Moscow on Friday, was now being considered by the Paris and London Clubs of creditors. Last week, the unresolved dispute between Ukraine and Russia over foreign debt forced western creditors to call off debt reschedul-

Unlike the other formar Soviet republics, Ukraine has been reluctant to accept the "zero variant", according to which Russia would assume responsibility for both dehts and assets.

Instead, Ukraine has presse Russia to disclose the full extent of the foreign assets of the former Soviet Union and has expressed readiness to independently pay its share of the debt.

Ukrainian officials said that according to the deal, Ukraine would independently pay for a share of the foreign debt, a solution western creditors have strongly opposed in the past, fearing that Ukraine will be nuable to meet its

advances to companies, Mr Fedorov said: "If the state supports enterprises, it has the right to get assurances that they will not exceed the resources given. Where the companies are state property it is the privilege of the state to

tbe \$2hn-a-year commercial

launch husiness that the Rus-

sians could price them ont of

The Russian offer is likely to

Mr Yuri Milov, deputy direc-

tor of the Russian Space

Agency, said the design

bureau for the missiles, which are due to be eliminated under

the INF (Intermediate Nuclear

Forces) disarmament treaty,

had already elaborated plans

draw a sharp response from

the aerospace industries.

the market.



The designers of the new train for the Moscow underground showing Russian president Boris Yeltsin (front left) and prime minister Viktor Chernomyrdin (behind) the controls yesterday

engines to India for satellite-

Informal contacts between

Moscow and Pretoria bave

already heen made through

the Bonn office of the South

Africa Foundation, a private-

sector lobby group. Moscow

had offered launches at \$10m

each on SS-20s, Mr Rudolf

Gruber of the SA Foundation

said. Similar launches cost

would bring mohile \$\$-20

launchers to South Africa and

Mr Gruber said Russie

\$40m in the west.

launching.

accustomed to live an easy life hy lobhying for credits."

Such a policy, be said, would mean that "you do not need to close enterprises". However, he did not rule out bankruptcies and said a "hankruptcy agency" would probably be crewhich were no longer viable.

to convert them to civilian

Bnt Russian authorities

were anxious to put South

African inquiries on an official

footing, to avoid accusations

of improper dealings with a nation that still faced western

"Otherwise, the next thing

we know the Americans will

be screaming we are proposing

to supply Sonth Africa with

strategic weapons," be said,

recalling recent US attempts to

block Russia's sale of rocket

arms sanctions.

invites Pretoria to

Acknowledging that there were serious differences back the chairman. between the government and the Russian central bank, he said that Mr Viktor Gerashchenko, the central bank chairman, would join the committee on credit policy set up under Mr Gaidar to attempt to control the bank's credit advances

- an obvious attempt to rein Mr Fedorov said that the

central bank's joh was to "strengthen the rouble, not keep up production". The bank should not relieve the enterprises of their debt hurden by paying off the accumulated deht every six months.

remove the equipment after

terms of strategic arms reduc-

missiles, due to be eliminated

also trying to find civilian cus-

The SS-18 multiple warhead

technology meant all nine sat-

ellites could be launched

Washington.

December by tax incentives, which belped to push sales to an estimated 221,000, up year-on-year hy 33.5 per In the UK, sales last month

launch to comply with the on-year to 79,900, although spe tion treatles signed with cial factors also distorted the picture. with registrations The Ukrainian design hureau, which produced the much larger SS-18 long-range boosted by discounting and other beavy incentives, as well as a high level of sales to employees hy some car under the Start 2 treaty, was makers.

Only Italy suffered a decline among the main volume markets in December with a fall year-on-year of 6.4 per

Across west Europe sales

W European car sales. better than expected

By Kevin Dona, Motor industry Correspondent

NEW CAR sales in west Europe jumped sharply in December thanks to an unexpected surge in demand in some of the biggest markets: Germany, the UK, France, Spain and the Netherlands. According to industry estimates, west European new car sales in December rose

year-on-year by 18.7 per cent to 975,000. The higher level of new car demand in the final months of the year left sales for the whole of 1992 virtually

unchanged at 13.5m. Figures for several of the 17 markets across west Europe are still based on preliminary estimates, but the strength of demand in recent months has confounded carmakers' more pessimistic forecasts. According to industry estimates new car sales last year were less than 0.1 per cent lower than in

1991. The decline in sales in several European markets in the past three years has been compensated for hy the addition of eastern Germany. since mid-1990, to the overall market Total west European new car sales have remained at a plateau of around 13.5m for the past four

Germany, the single biggest car market in Europe, again played a pivotal role in December with an estimated sales increase year-on-year of 33 per cent to 308,000.

The snrge in December could depress sales this month. as purchases were pulled forward to avoid the increase in valued added tax in Germany at the beginning of Janu-

ary.
The same happened in France, where new car sales were pulled forward into

jumped by 37.1 per cent year-

cent

both in December and in the whole of 1992 were higher than a year earlier in nine markets and lower in eight.

Most importantly, new car sales in the whole of 1992 were higher than a year ago in four of the five leading volume mar-kets: Italy, France, Spain and the UK - though only marginally in the case of the UK while the estimated decline in German new car sales of around 5.1 per cent was much less than feared by leading car

makers. The industry remains pessimistic ahont the outlook for new car sales in 1993, however, with most industry forecasts suggesting a decline of around 4 per cent.

Japanese new car sales in west Europe fell last year by an estimated 4.8 per cent to around 1.59m, reducing the share taken by Japanese car makers to around 11.8 per cent from 12.3 per cent a year ear-

The Volkswagen group of Germany, which includes Audi, Seat and Skoda, was the best-selling carmaker in west Europe for the eighth year in

a record 17.5 per cent from 16.4 established a commanding lead ahead of its nearest rival, Gen-Motors eral

the US. Fiat of Italy, which includes Lancia, Alfa Romeo and Ferrari, was the main loser among the hig six volume car-makers in west Europe. It slipped from second to fourth place behind VW, GM and the Pengeot group of France, which includes Citroen.

Fiat's sales volume in west Europe fell by an estimated 7.4 per cent to 1.6m last year following an 8.1 per cent decline in 1991.

Its market share fell to only 11.9 per cent from 12.8 per cent in 1991 and 14.2 per cent in

In the market for executive and luxury cars in west Europe BMW of Germany outsold its arch domestic rival, Mercedes-Benz, for the first time in its history

BMW increased its sales by 7.2 per cent to around 443,000. while Mercedes-Benz was among the biggest losers. Last year the company saw an estimated 8.6 per cent drop in sales to 413,000.

It boosted its market share to

WEST EUROPEAN NEW CAR REGISTRATIONS January-December 1992

	(Units)	Change(%)	Jan-Dec 92	Jan-Dec 91
TOTAL MARKET	13,506,000	-0.1	108.0	100.0
MANUFACTURERS:				
Volkswagen* (Incl.	2,365,000	+ 6.6	17.5	16.4
Audi, SEAT&Skoda)	1 805 000	+3.1	12.5	12.1
General Motors (Opel/Vauxhall,	1,685,000	+3.1	123	14.1
US# & Saab)	4 044 000		12.0	11.5
- Opel/Vacachall	1,614,000	+3.1 -5.1	0.4	0.4
- Sasb	51,000		12.2	12.1
Paugeot (incl. Citroen)	1,646,000	+ 1.0	12,2	
Flat (incl.Lancla,	1,605,000	-7.4	11.9	12.8
Alfa Romeo,Ferrari				
Innocenti, Maserati)	1,525,000	-5.2	11.8	11.9
Ford (Europe, US# & Jaguar)	1,023,000	J.2	1,,5	
- Ford Europe	1,512,000	- 5.1	11,2	11.8
	11,000	- 12.2	0.1	0.3
- Jaguar	1,432,000	+5.9	10.6	10.0
Renaulti†	443,000	+7.2	3.3	3.1
Masan	434,000	-1.7	3.2	3.3
		-8.6	3.1	3.3
Mercedes-Benz	413,000	-6.6	2.5	2.7
Toyota	337,000			
Rovert	331,000	- 5.7	2.4	2.6
Mazda	269,000	-6.2	2.0	2.1
Volvatt	198,000	-0.2	1.5	1.5
Honda†	176,000	+ 1.6	1.3	1.3
Mitenbishi	160,000	- 18.7	1.2	1.4
Total Japanese	1,588,000	-4.8	11.8	12.3
MARKETS:				
Germany	3,946,000	- 5.1	29.2	30.6
tely	2,375,000	+ 1.5	17.6	17.3
Prance	2,106,000	+3.7	15.6	15.0
United Kingdom	1,594,000	+0.1	11.6	11.8
Spain	979,000	+10.4	7.3	6.6

Italy moves nearer reforms

Politicians must decide which way to jump, Robert Graham writes

Italy has finally been removed from the level of mere rbetoric.

Parliament now bas to come up with proposals in the next two months or its hand will be forced hy a referendum to be held between April 18 and June 13. In any event the legislation will have to respect the spirit of the referendum proposals approved on Saturday by the country's constitutional court. This is the immediate effect

of the court's historic ruling on 13 referendums, of which 10 were approved. But admitting the refereodums will have a much broader impact on the whole issue of reforming Italy's institutional structure, put in place hy the 1947 constitution. As one commentator said: "This is the end of the First Republic and the beginning of the Second."

The two most important referendums concern the abolition of the existing system of proportional representation in favour of a first-past-the-post system. Italy's electoral system was geared to a country emerging from fascism into the cold war. Proportional representation was intended to foster minority parties and discourage monolithic groups like the Communists or disbanded fascists. But this has created 52 already had before the courts popular judgment on their role

and an unworkable fragmentation of parliamentary parties - with no fewer than 16 represented after last April'e general elections.

One specific referendum proposal is for 238 of the senate seats to be elected by majority vote and the remaining 77 on the existing method of proportional representation. Another extends the majority vote to municipalities of over 5,000. Although the proposal covers

only majority voting for the senate and municipal elections, all parties recognise that the principle extends by implication to the more powerful legislative forum, the chamber of deputies. Equally, tha other referendums, which include the abolition of public funding of political parties, will accelerate a general revision of the existing institutional structure.

The need for change was emphasised by President Oscar Luigi Scalfaro in his inaugural address last May 28 when be took the unprecedented step of calling for a special parliamen-

tary commission. The latter was formed in September from both houses of parliament and was in part intended to head off the crossparty referendum alliance, led by Mr Mario Segni, who

unstable coalition governments his proposals for the Senate in government. When the last election change.

However, none of the parties has yet made clear whether it prefers a majority vote based on a British-style single round or the French system of a second-round run-off where a majority has not been obtained the first time.

he politicians must now decide whether to work for an agreement in the commission and produce proposals which head off the referendum - or wait until after the referendum result is known. The latter course is most likely. Time is too short, and enough politicians believe their amhitious will be furthered by riding the referendum wave, which will almost certainly trinmph, given the discredit of the traditional par-

Mr Mino Martinazzoli, the Christian Democrat leader. candidly commented: "We would rather avoid the referendum, although frankly at this stage I fear we cannot. Nevertheless, if the referendum is held we will be protagonists and not he overtaken by the event."

This suggests the Christian Democrats will try to ensure the referendum vote is not a

referendum was held in June 1991, to eliminate multi-preference voting within the proportional representation system, the Christian Democrats and Socialists hadly misread the public mood, opposed it and were duly castigated. Indeed It will he surprising if every political party does not jump

But if this happens, it will merely speed the process of change and at the same time encourage the nascent cross-

on the referendum hand-

With electoral reform pushed to the top of the national agenda absorbing all the par-ties' attention, Prof Giuliano Amato's coalition government should benefit. With the exception of the hardline Reconstituted Communism and the Lombard League, no party now has an interest in ending his fragile coalition until the lines of a new electoral law have

been agreed and probably approved by parliament.
On this hasis the government has until the summer. and then it will be for the politicians to decide whether to call early elections or expand the government to obtain a broader consensus in order to introduce comprehensive coostitutional reforms.

| Special factors affect November figures

French output declines 4.5%

By David Buchan In Parts

THE FRENCH national statistics office, Insee, yesterday announced that the country's industrial output fell in November hy 4.5 per cent, a sharp drop that will further entrench economic recovery as the main issue in the March

The exceptional decline was largely due to special factors causing a 12 per cent drop across the range of energy pro-duction, with a refinery explo-sion limiting oil output, mild weather reducing gas demand, and sluggish industry

FOREIGN companies seeking

to invest in east Germany

widely believe they suffer dis-

crimination compared with

indigenous groups, according to a report* published today. The report, from the Anglo-

German Foundation for the

Study of Industrial Society,

says foreign companies can

overcome this handicap hy

emphasising the competitive

advantages of foreign invest-

ment in the east. Foreign com-

By David Marsh

depressing demand for electric-growth this year. Both govern-

The reduction in manufacturing output in November from the previous month's level was a more modest 2.1 per cent. Nonetheless, at the very least growth in the French

economy seems to have flat-

tened out in the fourth quarter of last year, after a 2 per cent in gross domestic product between January and September, and a 0.7 per cent rise in industrial output in October. Prime Minister Pierre Béré-

govoy last week abandoned the official forecast of higher

East German investment worry

panies have made up about 10

per cent of investment chan-

neled to east German through

privatisation of state industry

France, the UK, the Nether-

lands and Switzerland are the

main European countries mak-

ing east German acquisitions.

The Treuhand, the government agency in charge of privatising

east German assets, has been

increasingly trying to promote

foreign participation to spur

holdings since reunification.

ment and opposition have conceded that no reduction in the unemployment mountain of nearly 3m people - the main casualties of low growth and high interest rates - is likely Appr Shrus

The Bank of France Intervened to the tune of FFr156.2bn (\$28.9bn) to defend the franc in the seven weeks following mid-November and FFr16.66bn in the first seven days of this year, according to the economic studies department of state-owned bank Crédit Lyounais, Renter reports from Paris.

tion advises foreign bidders to use this argument to support

Additionally, foreign compa-

nies can argue that their acqui-

sitions would prevent east Ger-

man companies hecoming

secondary outlets, subordinate

to parent companies in western

their investment efforts.

ing to an opinion poll published yesterday. The treaty is due to be sub-

mitted to a second referendum in Denmark later this year. The poll showed that 56 per cent would vote yes, 30 per cent no, and 14 per cent were undecided.

Danes turn

Maastricht

A LARGE and increasing

majority in Denmark supports

the Maastricht treaty, accord-

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- - .

Table 1

towards

By Hllary Barnes in

It was conducted on January 11 and 12, before the publication of the Tamil report, on: Thursday, and the consequent resignation of Prime Minister Poul Schlüter.

This compares with a December poll in which 51 per cent. wera in favour, 37 per cent against and 12 per cent unde-cided. In last June's referendum on the treaty 50.7 per cent voted in favour of the treaty and 49.3 per cent against. The date of the second referendum has not yet been set, but it is expected it will be held

*British investment in o united Germany. Anglo-German Foun-dation. 17 Bloomsbury Square, London WC1A 2LP, or Jean-Paul-Strasse 12, 5300 Bonn 2

The Flauncial Thues (Europe) Ltd Published by The Financial Times (Europe) GmbH, Frankfurt Branchi, Nibelung anylatz 3, 6005 Frankfurt-am-Main I: Telephone 49 69 156850; Fax 49 69 5964481; Talex 416193, Represented by E. Hugos Managing Directur. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Iscaburg 4, Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge; London SEI 9HL. The Financial Times Ltd, 1993.

European petrochemicals reform 'could save \$2bn'

EUROPE'S petrochemical industry could save as much as \$2bn (£1.3bn) a year if it restructures, according to a confidential survey of 34 plants representing 75 per cent of European capacity.

The survey*, by consultants Chem Systems in London, demonstrates the current plight of the petrochemicals and plastics sector. It esti-mates that even the most efficient producers are generating a minus 5 per cent return on capital. The worst producers are performing far

combination of slower than expec-ted demand growth and chronic overcapacity. The quickest and cheapest way to improve the industry's cost structure is to concentrate the industry, eliminating the smallest and least efficient plants. This would leave between eight and 12 producers but still ensure healthy competition, claims Mr Roger Long-

ley, a Chem Systems director. Merely by reducing the number of polypropylene producers from 17 to 11 the industry would save \$250m a year, he argues.
The survey also demonstrates

most petrochemical and plastics

plants are highly inefficient. If the

plants in terms of staffing, maintenance, overheads, utilities, credit and logistics, it could make fixedcost savings of \$79 per tonne. The worst practices in existing plants add up to more than \$230 per

tonne higher than best practice. The difference between the worst and best plant is \$153 per tonne. This excludes differences in raw materials - the few plants using liquid petroleum gas have a significant cost advantage over those using

The report ands that a properly integrated plant can create revenues

most efficient European plant worth more than \$100 per tonne of adopted the best practice of other ethylene. It says few refiners integrate their plants effectively. "The bottom line message is clear and brutal," says Mr Longley. "Man-

agement in almost every company has failed to address inefficiencies." The industry's ability to sort out its problems has been lessened since the early 1980s, because about 20 of the least efficient plants were shut down at that time, warns Mr Long-

is likely to deteriorate as they face increasing competition from The consultants also warn that

The position of EC manufacturers

imports could take 40 per cent of the Ethylene Glycol market by the year 2000. European petrochemical manufacturers face an additional problem with the build up of enviroumental costs. It says the cost of complying with a carbon tax would add up to \$22 to the cost of ethylene produced and \$34 to the cost of high

competition.

Chem Systems reckons European polyethytene could faced environ-mental costs of np to \$80 a tonne compared with importers. *European petrochemical strategy in the 1990s. Chem Systems, 28 St

density polyethylene.

James's Square, London, SWIY 4JH.

PETROCHEMICAL SING EFFICIENCY (\$/metric ton ethylene)

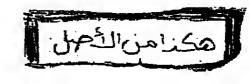
Overheads

*Difference between best in each sector and overall cost-base leader.

1Difference between worst in each sector and overall cost-bese leader.

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MONTENEGRO

ALBANIA

MACEDONIA

dan Milosevic, its Communist-

Serha, resentful that 500 years of Ottoman rule and the

high hirth rate of ethnic Alba-

nians has made them a tiny minority in the former cradle

of Serbia'a medieval kingdom.

voted overwhelmingly for

ultra-nationalists in last

month's general elec-tions - hoycotted by ethnic

Albanians. The outcome has

raised the tension level and the

risk of an Alhanian revolt

which, once unleashed, would

turned-nationalist leader.

By Robert Mauthner, Diplomatic Editor

A CRUCIAL Bosnian Serb vote due today on an internationally hrokered peace plan for Bosnia has been overshadowed by the outhreak of heavy lighting hetween Moslems and Croats, theoretically allies in

the war against Serbs.
The hattle around Gornji Vakuf, a town in south-west Hercegovina near the Adriatic, appears to have been provoked by the Geneva peace process itself, particularly the map tabled by the international mediators. Mr Cyrus Vance and Lord Owen

Bosnian Croatian forces have attempted to consolidate their positions in areas designated as Croat-controlled on the map, which divides the proposed future state of Bosnia-Hercegovina into 10 semi-autonomous provinces.

That map, which is disputed both by the Moslems and Serhs, has been formally approved, so far, only by the Bosnian Croats. When the Bosnian defence minister, Mr Bozo Rajic, a Croat, ordered several Moslem army units to submit themselves to the Croatian command at the weekend, Mos-

lema aaw the move as pre-empting a peace settlement that had not yet beeo reached. The fighting has intensified following an order to Moslem troops by the Bosnian Moslem

army commander, Mr Sefer Habilovic, to Ignore the order to submit to the Croat command. The Moslem Croat flare-up threatens to ondermine the peace process just as the Bosnian Serbs appeared to be completely isolated in the Geneva negotiations. Their leader, Mr Radovan Karadzic, was forced to make a humiliating about-turn at the conference last week, when President Slohodan Milosevic of Serbia put strong pressure on him to accept the mediators' constitu-

Hercegovina. However, Mr Karadzic agreed to do so only on condition that the Bosnian Serh assembly approved the proposals within a week. The assembly's vote today, at the Bosnian Serh headquarters in Pale, near the besieged Bosnian capital of Sarajevo, is expected to be close.

tional framework for Bosnia-

But the indications are that hardline deputies, who make up the majority of the assem-hly, may be won round by the

evic, President Dobrica Cosic of the rump Yugoslav Federa-tion and Momir Bulatovic of Montenegro, all of whom have said they would attend personally to support the case for acceptance. Mr Nikols Koljevic, one of the three Bosnian Serh vice-presidents, said at the weekend that he hoped the fighting, which includes renewed Moslem-Serh clashes in eastern Bosnia, would not

threaten the peace process. "I hope the leadership of the (Bosnian) Serh republic will be able to explain that the Geneva proposal is in our best interests and represents a major step towards peace," he was qooted as saying by the Bosnian Serb news agency. It is clear, however, that

even if the Bosnian Serh assembly gives the greeo light to the Vance-Owen constitutional principles, the road to a final peace settlement remains long and hard, in addition to the map dispute, the terms for a permanent ceasefire and troop pull-back, and particu-larly the placing of all heavy arms under United Nations control, are also likely to be disputed when it comes to negotiations of the details.

NEWS: EUROPE

Kosovo shudders under the yoke

Jonathan Ledgard reports on Albanians' resentment at the rule imposed by Serbia

N THE cramped and freez-ing hungalow which houses Kosovo's outlawed ethnic-Albanian parliament, 14year-old Lumzim was giving his testimooy. He looked shocked and close to tears.

Lumzim (not his real name) had saved DM300 (\$188) selling cigarettes on the streets and had planned to traval to friends in Albania with the money. On the way to the bus station, he said, four Serbian policemen stopped him, stripped him naked in the freezing cold and found the money pinned to the inside pocket of his jeans.

They heat him, stole his passport and money and forced the pin down his throat. An x-ray shows the two-inch pin lodged in his stomach. It would take an operation to remove it, but Serbian-controlled hospitals have denied care to Alba-

The incident is part of the systematic political and human rights ahuse, identified by international human rights organisations, inflicted on ethnic Albanians, who make up 90 per cent of Kosovo's popula-

Kosovo used to be an autonomous province of former Yugoslavia until it was reincorporated unilaterally into Serhia three years ago by Mr Slobo-

invite Serh repression on a scale which could provoke irre-sistible demands for intervention from the Moslem world. It is a testament to the

repression in Kosovo that Zeljko Raznjatovic, better known as "Arkan" and described by the US govern-ment as a Serbian war criminal, was elected to the all-Serbian parliament, and operates openly from the lobby of the Grand Hotel He dresses fashionahly and is guarded by thuggish veterans from the earlier fighting in Vukovar and other war-torn towns and villages in Croatia.

In an interview he made clear his unconcern about his reputation and the war criminal tag put on him hy Mr Lawrence Eaglehurger, US secre-tary of state. "I don't give a damn ahout Eaglehurger and his damn trial. He is more of a war criminal than I am," he

While extreme nationalists won most of the seats in the December elections, tha Democrats led hy Mr Milan Panic, who were the only group prepared to compromise over Kosovo, did not even win a seat. This is had news for ethnic Alhanians, although Arkan claims they have nothing to fear. "If the Albanians are honest and look to Belgrade we welcome them," be says. "If it is Tirana, the Albanian capital they look to, wa'll belp them back."

Most ethnic Albanians here demand independence for Kosovo, rather than union with even more impoverished Albania across the mountains. But, asked about the clandestine ethnic Alhanian government beaded by self-styled president Ibrahim Rugova, Arkan was ominously dismissive. "Rugova is a tourist in Serbia, an Albanian tourist. He will he leaving very soon, believe me."

Mr Rugova is trying to keep the peace, and it is proving very hard. The Serbs have shut all the Albanian media, hut with every arrest and killing of an Alhanian hy Serbiao authorities the country people, for whom the vendetta, or kamm, is still a cherished way of death, are becoming more

Mr Rugova and other ethnic Alhanian intellectuals are haunted by the knowledge that any war would end in slaughter of the unarmed Albanians, balf of wbom are under 15 years of age. The Yugoslav civil war has

been fought from the hamlet up. Kosovo will be no different. To stop a bloodbath here, the

deploy massive peacekeeping forces on the ground in the rural communities and emasculate the Serbian authorities.

This seems improbable. Young ethnic Albanians say they are prepared to die. "We would rather die than be Serhian slaves," said one group of

students. Many Serbs think the same way. "Only war will sort this mess out. That's why I voted for Slobodan Milosevic. He will protect us from the Moslems. from genocide," said a work-ing-class Serb in the Kosovan

capital, Pristina. Such views are common and there is almost no middle ground. Albanians want to be free and Serbs want back what they see as their cultural heritage. Arkan's cause is also

He will use all means available to crush Albanian bopes

But even Arkan fears clannish Albanian culture and has sponsored the inflow of Serb immigrants. He and his followers exude violence and the hatred between Christians and Moslems here is tangihle. As a warlord, Arkao has already hecome rich through war. Many fear he also has a personal interest in seeing war and the opportunity for pillage

German **Greens** in merger

By Ariane Genillard in Bonn

WESTERN Germany's Green party, once the strongest ecological movement in Europe, is to unite with Bündnis 90, a pro-environment group in the eastern part of the country, in a joint-party conference in

May.

The move is designed to regain a foothold in the federal parliament, which the west German Greens lost in the last elections after narrowly failing to get the required 5 per cent of the vote. Bundnis 90, a loose anti-communist movement allied with the east German Greens, won 5.6 per cent of the vote in eastern Germany.

The marriage of convenience was welcomed by the opposition Social Democrats who hope to find a coalition partner if they gain power in Germany's next general elections, scheduled to take place at the end of 1994.

But Mr Uwe Lühr, secretary-general of the liberal Free Democrats, the minority party in the government coalition, called the merger "an act of desperation".

nes turn

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SPD urges probe on contract

By Quentin Peel in Bonn

GERMANY'S opposition Social Democrats (SPD) yesterday demanded clarification of the circumstances surrounding a DM3hn (\$1.8bn) contract for a US-manufactured high altitude reconnaissance system, which has been put on ice pending an investigation into possible

The signing ceremony for the Lapas system, made by E-Systems, of Greenville, Texas, was cancelled on Friday by Mr Volker Rühe, the Ger-

man defence minister. The system, capable of monitoring and evaluating electronic information from high altitude, was intended to be carried by 11 aircraft built by the Bavaria-based company Grob Luft- und Raumfahrt.

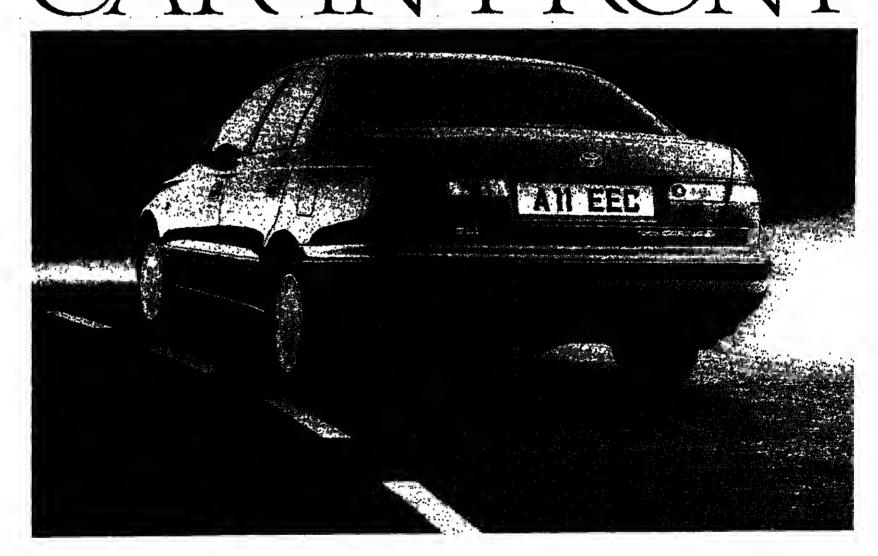
The contract would have been the most important new collaborative venture between US and German defence con-

The inquiry concerns two civilians formerly employed in the Defence Ministry, and the former Luftwaffe inspector, General Eberhard Eimier.

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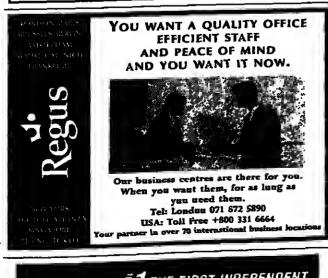
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Allies leave themselves a wide range of target options for future attacks

Raids designed to give clear message

FOR ALL the signs of rapid military escalation, the three waves of attacks against Iraq by the US and its British and French allies, in the space of less than five days, were all characterised by their limited

By not attacking some obvious targets, such as key mili-tary installations in central Iraq, the coalition has reserved its options for further action against a recalcitrant President Saddam Hussein

The US has appeared anxious to demonstrate, particularly after the dubious results of the first attack last Wednesday, that it can hit lraq when and where it

The weapons and targets have been the same as or similar to those of the Gulf war air campaign two years ago. But operations that were combined during the six weeks of attacks in early 1991 have been carried out separately. The allies want their action to be clearly seen as a specific response to Iraql acts of defiance: movement of missiles in patrolled regions, stalling over UN inspections and unauthorised forays into Kuwaiti territory to retrieve

A further echo of the 1991 war is the combination of warlike rhetoric from Baghdad and unwillingness in practice to

attackers seeking to destroy air defences since their tactics are eared to homing-in on targeting radars and to air-to-air

The main action yasterday morning was against two Iraqi alr defence sites where Wednesday's attack was incomplete: al-Najai, on the 32nd parallel, which forms the border of the southern no-fly zone, and al-Samawa, just

The US has appeared anxious to demonstrate that it can hit Iraq when and where it chooses

inside that line and further to

The allies have clearly been at pains to try to measure their action to make it commensurate with Iraqi challenges to UN authority and have also sought to minimise the risk to their own personnel

According to UK officials, 43 allied aircraft took part in yesterday's action in southern Iraq, including 29 US and British attack aircraft and US and French fighters.

This was considerably fewer

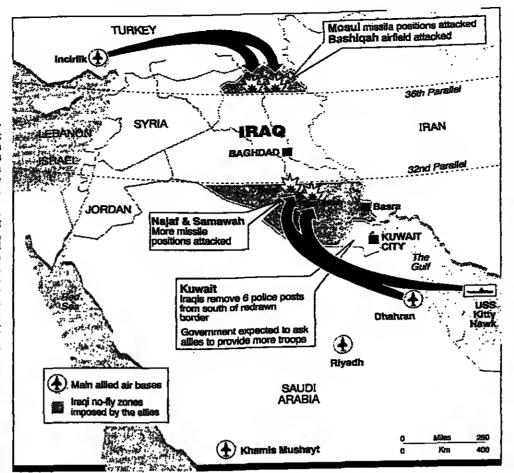
day's night attack against eight sites. In neither action did the allies attack air bases further to the north from which Iraqi aircraft have infringed the no-fly zone ln

The cruise missile attack on Sunday against an engineering complex outside Baghdad. alleged to have produced nuclear-related equipment, is seen as having more political than military significance, as a demonstration of US fire-power. It involved more than 30 Tomahawk missles fired from warships in the Gulf and the Red Sea and was the only time these weapons have been used, except in the Gulf war.

sites in southern Iraq can be seeo partly as a bid to restore US military pride after criti-cism over the failure to destroy some of the targets last The targets did not include

the ai-Amarah facility assigned to the RAF Wednesday. The RAF said yesterday that a headquarters building at Al-Amarah had been completely destroyed by laser-guided bombs dropped by British Tornados, and an intercept control facility was probably pnt out of operation.

It remained to be seen if Iraq still possessed operational facilities of this kind for co-ordinating its air defences in the south. Officials warned that Iraql forces would still be able



systems independently of the centralised control systems. Further attacks in the northern no-fly zone focused on surface-to-air missile radars and anti-aircraft guns. This followed incidents in which radars locked on to allied aircraft, including two UK Jaguars flying yesterday on a reconnaissance mission from their base in south-eastern

Turkey, which also came under

An Iraqi MiG-23, shot down by a US F-16 in northern Iraq on Sunday, was the second such incident, a MiG-21 having been downed on December 27. Allied officials said they had no indication that Iraq had

fired any missile towards the Arabian peninsula. This followed one report yesterday morning suggesting that a Scud missile might have been fired st the Saudi base of Dhahran and been shot down.

Use of a Scud missile would constitute the most serious of any provocation by the Iraqis in the recent confrontation. Under the terms of its 1991 ceaselire Iraq had to declare all its missiles able to reach targets more than 90 miles away, and these were scheduled for destruction. However, Baghdad is believed to be harbouring an unknown number of Scud missiles from its previous Sovietsupplied stockpile.

Damage goes on display in Baghdad

By James Whittington in Baghdad

IRAQ was at pains yesterday to show the world the civilian damage inflicted by the allied missile attack on Baghdad two years to the day since the beginning of the Gulf war, with esident Saddam Hussein visiting the injured in hospital. But his propaganda machine left the main point of interest and the reason of Sunday's

attack a mystery.

Three sites hit by missiles have been confirmed: the lobby of the Rashid hotel in Baghdad was badly damaged, a house in the suburb of Karada was halfdemolished and a factory in Zafaraniya, 10 miles south of Baghdad and the announced target of the allied attack, was

Western journalists, despite being escorted to the two civilian sites, were denied access to the factory at Zafaraniya. Described as a nuclear site by the allies and a facility for mannfacturing industrial equipment by the Iraqis, an army official prevented an organised Ministry of Information tour of the site, despite the fact it had been viewed by some journalists immediately after the bombing.

"Yesterday was one day, today is another, he said. The government took advantage of the high-profile Rashid bombing by holding a funeral for the two people who were killed in the hotel. Escorted by a ceremonial

Iraqi civilians.

army brass band, a large group of dignitaries, hotel staff and mourning relatives, the coffins

funeral dirge. Soon afterwards, more than 1,000 delegates at the Sixth Islamic Conference, who were removed to another hotel after the hombing last night, descended on the hotel to conduct the day's proceedings, and

seige in military and economic terms almost continually since the beginning of the Iran-Iran-war in 1980; coping in tragic circumstances has become a way of life.

However, a sense of despair was apparent after Sunday'a attack, and disbelief that the capital was once again under fire from the allies. At the Karada site, where one woman was killed and her two daughters injured when their house was hit by a missile, Dr Mohammad Dowee, a military doctor and neighbour whose three daughters were injured hy shattering glass, accused the allies of not caring about

the exact picture, thay wouldn't agree with what hap-pened here. Killing ordinary iragis will not help enforce their demands," be said.

Kuwait still rebuilding its armed strength

By Mark Nicholson

THE CLASHES in the Gulf over the past week have highlighted the continuing weakness of Kuwait's armed forces. They are still in the earliest stages of rebuilding after the Gulf war two years ago and do not alone have elther the manpower or equipment to mount a credible military deterreot to Iraq.

A pre-war total of around 25,000 armed forces personnel after Kuwalt's military authorities ejected thousands of Bedouin, or stateless Arabs, with any Iraql aggression. Last week the US deployed a loyalty to be suspect after tha

Although Kuwait's air force is at present being reinforced by the arrival of 40 F-18 jets ordered before the war - a few of which joined the first allied

the undermanned ground force is equipped only tanks and little support equipment.

Recently-ordered M1A2 tanks from the US are unlikely to be in effective service for up to two years, and Kuwait has still not decided on a large contract for armoured personnel carriers. The country has no air defence system of its own, relying for radar cover on US early-warning alreraft operating out of Saudi Arabia.

equipped with pre-positioned M1A1 tanks and Bradley fighting vehicles. It also has 300 special forces troops on exercises in Kuwait. A small Gulf force, including a Saudi Arabian armoured brigade, is also still based in Kuwait.

Diplomats say that Iraq's remaining ground forces, which at best represent 40 per cent of the country's pre-war military strength, are tied up in northern Iraq and In continued fighting with Shia groups in the south.

Several Republican Guard units are at present deployed around Baghdad. "There's no way any force of any size could turn south and head for Kuwalt," said one.

Western officials also discount any threat from whatever Scud missiles Iraq may have kept hidden from UN weapons inspectors.

Although no one rules out tha possibility that Iraq may be ahle to launch one or two miasiles, this alone would represent no significant threat, continued presence of Patriot anti-missile missiles in Saudi Arabia and - It is believed though officially denied - also



A Kuwaiti citizen inspecting the inside of a US armoured vehicle yesterday as troops prepare them for exercises in northern Kuwait

British MPs uneasy over drift towards greater conflict

By Philip Stephens,

THE RENEWED military action against Iraq brought the first signs of unease among British politicians yesterday over whether the western allies have framed a coherent strategy to respond to President Saddam Hussein's defiance of the United

But Downing Street, warning of the possibility of recewed attacks unless Baghdad meets its UN obligations, rejected opposition suggesfurther mandate from the Security

Prime Minister John Major's support for the latest two strikes was endorsed by Labour and Liberal leaders after government assurances that the attacks were fully in accordance with international law and the terms of existing UN resolutions. A dozen left-wing Labour MPs opposed to the strikes failed to secure an emergency parliamentary debate on the conflict.

But concern voiced by opposition spokesmeu about the allies' long-term approach to the Iraqi leader was echoed by some senior Conservative MPs after a House of Commons statement by Mr Malcolm Rifkind, the defence secretary.

Mr David Clark, Labour's shadow defence secretary, and Mr Menzies Campbell, the Liberai Democrat spokesman, called for renewed dehate in the Security Council to secure the broadest possible coalition against Iraqi provoca-

Cautioning that the allies could be drifting towards another bout of large-scale hostilities, Mr Clark said towards Irag.

Mr David Howell, chairman of the influential foreign affairs committee of backbench MPs, added that military action should be underpinned by a political and diplomatic strategy designed to bolster internal Iraqi

Mr Rifkind stressed repeatedly that the three countries involved in the latest strike were carrying out the will of the UN. In southern and northern Iraq the allies were acting in self-defence against an Iraqi milithat they needed to re-establish a tary threat to aircraft monitoring

coherent and long-term strategy the UN-hacked no-fly zones. The cruise missile attack was a measured and proportionate response to Baghdad's refusal to allow free access for UN weapons inspections

> Officials added that there was no need for the west to seek a renewed mandate from the Security Council as long as its response remained proportionate to Iraqi defiance. But there was acknowledgement

in Whitehall that if Saddam does not back down, it will be increasingly difficult to allow piecemeal escala-tion. Mr Rifkind said repeatedly yes-

terday that military action was a last resort. But he offered no other real atternatives. Mr Major is acutely conscious of

the need to remain with a UN framework and of the concern in the Arah world about the legitimacy of repeated strikes.

He spoke personally no fewer than six times to ontgoing President George Bush over the weekend before final approval for the latest two strikes was given. But MPs at Westminster are no

longer sure where military action is taking them.

Opposition to Saddam forms a perplexing mosaic

There are many rival groups, and the west is not sure about any of them, reports Gareth Smyth

the Baghdad regime would be the overthrow of President Saddam Hussein. But that, too, dilemma for Washington as it tries to assess the Iraqi oppo-nents of the regime and their chances of coming to power.

A Middle East analyst advis-ing the incoming Clinton administration admitted yesterday: "US policy (on the Iraqi opposition is that we have no policy, basically because we don't know any of these guys."

The complex divisions and rivalries within the ranks of the Iraqi opposition reflect the frustrations of exile, the influence of regional powers and Iraq's multi-cultural nature. gious mosaic. Since the days of Ottoman rule its elite bas been Islamic Revolution in Iraq deputation mat Mr James

OR THE US and its Gulf drawn from the Sunni Arabs war allies the most who today occupy most high posts in the ruling Baath party. Living mainly in the centre of the country around Baghdad, they make up barely one fifth of the population.

> Kurds, who are Sunnis but not Arabs. Some 55 per cent are Arab Shias, who share their religious traditions with Iran. The principal holy cities of Shi'ism. Najal and Kerbala, are in southern Iraq, where Ayatollah Khomeini, the spiritual leader of the Iranian revolution, spent many years in exile. During the eight-year war

with Iran the Shias fought alongside fellow Iraqis, but Mr the US. Saddam, Saudi Arabia and the US all fear links between Iraq's Shias and Tehran. Iraq's two biggeat Islamic umbrella groups, al Da'wa and

the Snpreme Council for the

(Sciri), form the backbone of resistance to the regime in the southern provinces of Nazariya, Amarah and Basra. Other than the Kurds, they are Saddam's only opponents with armed militias inside

Iraq. Both groups are Tehran-Turkey yesterday distanced itself from the US-led attack on Iraq, insisting thet ailied aircraft from the Incirlik air base had acted in self-defence in hombing anti-aircraft installations in northern Iraq, writes John Murray Brown in

based and not natural allies of

The London-based Iraql National Congress (INC). founded in June last year, is more palatable to the west and was able to claim a degree of de facto recognition when a

state, last July.
The INC is a coalition of Kurds, liberal Shias and some moderate Arab nationalists including former Baathist leader Mr Hani Fakaiki. Its

Baker, then US secretary of

sion was part of Operation Provide Comfort, the coalition air umbrella to protect the Kurds north of the 36th paral-lel. The issue is particularly sensitive for Mr Suleyman Demirel, prime minister, who criticised in opposition Incir-lik's use in the Gulf war.

democratic, multi-party fraq but with Kurdish aspirations The INC wants wider western involvement in Iraq. It called last week for a UN secu-

rity zone in south Iraq, a tribu-nal to try Mr Saddam for

direct UN responsibility for all humanitarian assistance.
The INC's anpport within Iraq remains hypothetical. Iraq has changed since many of its leaders were forced into exile. and a large part of the popula-tion has been born since Mr Saddam becama president.

The INC has tried unsuccessfully to co-opt the Islamic groups, who because of their operations Inside Iraq are unwilling to be marginalised in any unified structure. Discussions are continuing but INC leaders remain sceptical of the Islamic groups commitment to pluralism. The Islamic groups equally doubt the extent of concrete western support on offer to a unified opposition.

Sandi Arabia and Syria have hoth derided the INC. Although hostile to Mr Saddam, they fear the influence of the Shias and are suspicious of democracy. Both governments

have resisted the creation of a unified opposition and sponsor small groups of Iraqi Arab nationalists whom they would like to see in power.

n the north of Iraq some 50,000 sq km have been administered by Kurdish guerrillas since autumn 1991, when Mr Saddam withdrew his administration and imposed an economic embargo. A coalition of Kurdish parties has created a fledgling state, elected a parliament, and hosted an opposi-tion confarence in "liberated

But the Kurds are short of food, fuel and spare parts. The Iraqi government channels UN relief from Turkey through a checkpoint which according to the Kurds allows only about 10 trucks a day to pass.

Mr Saddam has suggested resuming negotiations with the Kurds, which broke down in 1991. He has offered to accept Kurdish antonomy with jointly supervised elections within six months, and promised a share of revenue from the Kirkuk oil-

Armed with only light weapons, the Kurdish guerrillas are in no position to confront the 100,000 Iraql troops in the region, and depend on allied air cover above the 36th paral-lel. With Mr Saddam still in power and the prospects for wider opposition co-operation at best uncertain, they face an uncomfortable stalemate.
"Western policy towards Iraq

is not comprehensive, it reacts to eventa," aaid Kurdish spokesman Mr Hoshyar Zebar last waek. Initial pleasure among tha exiled opposition groups at renewed western military action was already sixty. itary action was already giving way yesterday to frustration that the Baghdad regime had barely been scratched.

of Amerika Toma, a receptionist at the hotel, and a female guest were marched to a burial site to the accompaniment of a

Rashid staff attempted to convey a sense of business as It was the same all over Baghdad. Iraq has been under

"If people [in the west] saw

Legal basis for action is unclear

By Edward Mortimer

THE LEGAL status of the latest hostilities in the Gulf is confused by two separate Security Council resolutions, which differ in form and content.

Resolution 687, passed on April 4, 1991, embodies the formal ceasefire terms imposed on Iraq by the UN at the end of the Gulf war. Iraq was required to accept it, and did so, as the alternative would have been a

resumption of hostilities. Violations of it amount to breaches of the ceasefire, and therefore the powers which authorisation of th Security Council under an earlier resolution, No 678) consider themselvas legally entitled to respond to such violations with

military force. Resolution 688, deals with the internal affairs of Iraq. It was a response to President Saddam Hussein's suppression of the uprisings in both south and north that followed his defeat in the war. The attack on the Kurds, especially, caused an outhurst of revulsion and guilt in western countries as well as serious alarm in Turkey, which found itself

facing a refugee crisis.

The Security Council condemned the repression and demanded that Iraq put a stop to it; called for a "broad dia-logue" aimed at ensuring respect for "the human and political rights of all Iraqi citizens"; and insisted that Iraq allow international organisations access to all those who needed help in any part of the

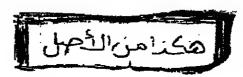
country.

It did not, however, threaten any action to enforce these demands if Iraq failed to comply with them. Western powers frequently refer to Resolution 688 to justify the military action they subsequently took, first to establish a "safe haven" for the Kurds in the north of the country, and more recently to create a "no-fly zone" in the south - the latter being supposed to inhihit repressive activities against the Shia Moslen population, and particu-larly against both refugees and indigenous inhabitants in the marshes of lower Mesopotamia. close to the Iranian frontier.

But the text of the resolution contains no reference to any such action. There has been intermittent talk of a new resolution to back up 688 and make it enforceable. But so far none has been submitted. Formal de-recognition of Mr

Saddam'a regime might be a necessary first step.
The US and its allies seem to be on stronger legal ground in taking military action to deal with incursions across the

Kuwaiti border or with obstruction of the UN inspection misaions, verifying the destruction of Iraq's non-conventional weapons facilities, than they were in proclaiming the no-fly zones or in using military force to impose Iraql compliance with them.



Mahathir set | New foreign minister named in Rao reshuffle for clash with sultans

By Kleran Cooke in Kuala Lumpur

MALAYSIA seems set for a constitutional crisis resulting from an increasingly bitter confrontation between the government of Dr Mabathir Mohamad, the prime minister, and the country's nine sultans (hereditary rulers).

Dr Mahathir yesterday hrought constitutional amendments into parliament which would aholish rights guaranteeing the sultans' immunity from prosecution in courts. The amendments would prevent them pardoning members of their own families and would relax rules on reporting of any royal misdeeds.

The sultans issued a statement shortly before parliamentary proceedings began rejecting Dr Mahathir's amendments, saying the future of the monarchy in Malaysia was under threat.

Legal experts say the Malaysian constitution stipulates a majority of the sultans, each of whom takes a turn as king, must give their consent to any constitutional changes affect-

ing the monarchy.
• Dr Mahathir insists he has the right to push the amendments through parliament. He rejects criticism that he wants to abolish the monarchy hut says the sultans must be made

accountable for their actions. The present stand-off originated in an incident late last year when one of the sultans is alleged to have beaten up a sports official. The local media. which had once avoided all adverse comment on the sultans, then hegan fulsome reporting of other alleged royal misdemeanours.

Dr Mahathir insists most of the population firmly supports the government's moves against the royalty, although the sultans are still regarded by some sections of the community as an important symbol of the country's Malay and Islamic identity.

The prime minister's critics say he is seeking to increase his executive powers. Parliament is today expected to approve the government's

It is then likely the sultans will challenge the action in the

That could lead to a long legal battle and possible unrest in the Malay community as government and royalty vie for

NEWS: INTERNATIONAL



INDIA'S Prime Minister PV Narasimba Rao yesterday appointed a new minister to take charge of foreign affairs. The appointment was part of Mr Rao's wide-ranging minis-terial reshuffle designed to bolster his anthority in the

wake of the Ayodhya crisis. Mr Dinesh Singh will join the cabinet as external affairs minister, taking a portfolio previously held by Mr Rao himself. He is one of four new ministers; the others include Mr Pranah Mukherjee, naw commerce minister, who will strengthen the team responsihle for the government's economic reform programme.

Delhi last night as a successful hid hy Mr Rao to hoost his influence in the cabinet. But the new men were not expec-

The reshuffle was seen in

ted to hring any immediate significant change in the government's popularity as a whole, nor in its ability to deal affectively with the crisis caused hy the destruction of the Ayodhya mosque and the ensuing violence.

Mr Dinesh, 77, is a veteran of the ruling Congress (i) party who first served as a minister in 1962. His appointment will bring into the cabinet a representative from Uttar Pradesh, India's most populous state, where the Congress party is in need of reinforcement, having lost ground to the Hindu Bharatiya Janata party, whose supporters stormed the Ayodhya mosque.

Mr Mukherjee, 57, is moving to the Commerce Ministry from being deputy chairman of the government's Planning Commission. He replaces Mr P. Chidambaram, who resigned over the Bombay security market scandal. Mr Mukherjee, a former journalist, has served before in the Cahinet, including being finance minister in the early 1980s. The two other new Cabinet members are Mr AK Antony, minister for civil supplies, and Mr NK Salve,

energy minister. • In Bomhay, hustnessmen struggled to bring offices and factories back to normal working after the violence that left over 600 dead and paralysed the city for nearly two weeks, writes R C Murthy. In the port, dockers worked

to make room for waiting ships. The Indian Merchants Chamber, a leading husiness body, says the city has lost Rs15bn (£339m) in industrial

The worst-htt industry is leather, because many work-shops are operated by Moslems, the chief victims of the attacks of Hindn-led mohs.

Production is concentrated in Dharavi, India's largest slum, where scores of husinasses were burned and workers have fled. Mr HR Mallick, vicechairman of the Leather Export Promotion Conneil. said it would take months for work to return to normal.

The city's jewellery and gemstone polishing industries are also hadly hit hecause workers were unable to reach factories. An international exhibition, dne to be held this week hy the Gem and Jewellery Export Promotion Council, was postponed. Mr K'R Subramaniam, a for-

mer president of the Bombay Chamber of Commerce. expressed confidence that investment decisions would not be affected in the long run. Britain is pressing ahead with plans for Prime Minister John Major to visit Bombay while on a trip to India next week.



Mukherjee: previous posts

Water row threatens to surface at Turkish-Syrian meeting

By John Murray Brown in Ankara

Rao: move to boost influence

WATER, which has so often jeopardised Turkey's relations with Its Arab neighbours, again threatens to overshadow the talks in Damascus today between Turkish premier Suleyman Demirel and Syrian President Hafez al-Assad. It will be the first trip

to Damascus for a Turkish leader since 1987, when Mr Turgut Ozal initialled a joint security pact and guaranteed Syria a flow of 500 cu metres a second where the Euphrates crosses the shared border.

Some success on the security front, especially where Turks see Syria's new willingness to curh rebels of the Kurdish Workers' Party (PKK), has helped pave the way for today's meeting. In April, Ankara revived the security protocol. The two sides also agreed to restart trilateral water talks suspended hecause of the war with Iraq. But relations continue to be marked by mutual sus-

The Syrians will want to use existing protocol there is an implicit today's talks to press the water issue, vital for 60 per cent of the country's power generation. Turkey has announced plans to start irrigating along the Harran plain from May. diverting more water from the vast

Ataturk reservoir. The Syrians argue that under the undertaking for the Turks to negotiate a permanent water settlement once the reservoir is filled.

Ankara continues to resist the linkage between Syria's backing for the PKK and Syria's security concerns over Turkish control of the Euphrates

HK legislators voice fears on China talks

By Robert Mauthner. Diplomatic Editor

A GROUP of conservative Hong Kong legislators will today tell British government leaders of their deep concern at the way Sino-Brit-ish relations have been deterlorating as the result of proposals for greater democracy

in the colony. The legislators, members of the 17-strong Co-operative Resources Centre, are expected to tell Mr John Major, UK prime minister, and Mr Douglas Hurd, foreign secre-tary, that they would like to see a return to the policy of "convergence" in relations

between Britain and China. Mrs Selina Chow and Mr Howard Young said yesterday their main air see a resumption of the dialogue hetween Britain and China, which would ensure a smooth transition to the hand-over of sovereignty in

They were not asking for withdrawal by Mr Chris Patten, Hong Kong governor, of his electoral reform package, the main cause of the trouhle, but they would like him

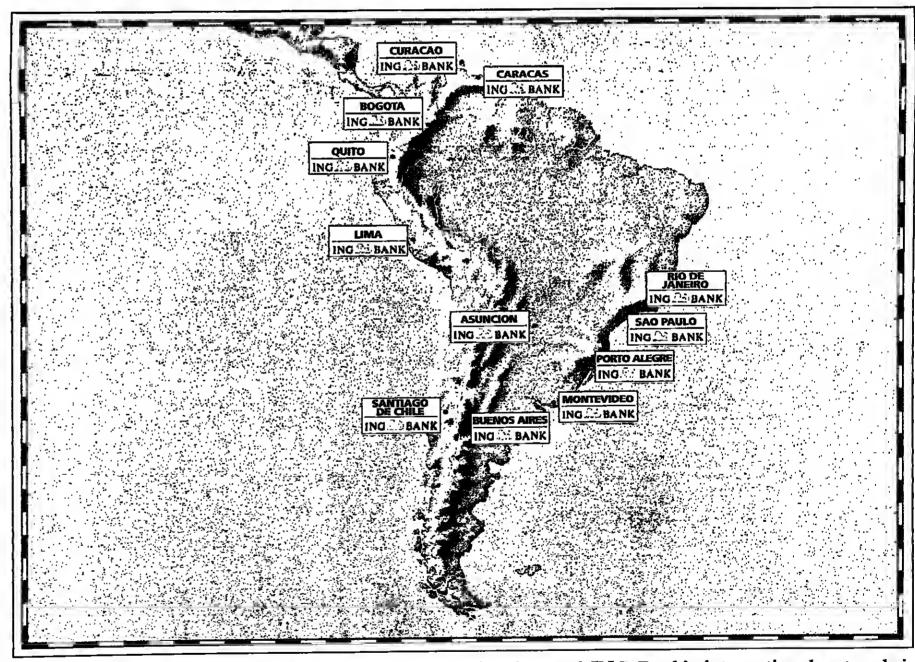
to amend it "If the British government took the initiative to amend the proposals, that might be the key to the reopening of the dialogue with China," Mr Young said.

The Hong Kong people, caught in the middle of the Anglo-Chinese quarrel, did not relish the prospect of fonr-and-a-half years of needless arguments" at their

"At the end of the day, it is the Hong Kong people who have to live with the consequences," Mrs Chow said. The legislators said that,

while they thought Mr Patten had acted with the best might not be getting the best advice". The western form of adversarial politics was not necessarily the best way to handle the Chinese. "To get more, you have to use persuasion," Mrs Chow said. Flexibility wins friends.

Leaders in Emerging Markets Banking and Trade Finance.



Beijing urges banks to tighten up on lending

CHINESE leaders, worried that the economy is overheating. have told banks to tighten control on lending to industry, Reuter reports from Beijing. Premier Li Peng and Vice-Premier Zhu Rongji were quoted yesterday as telling a banking conference that state-

cut money supply and credit, the prime source of inflation-Banks should "control not only the size of loans hut also issuance of currency," the official Xinhua news agency

quoted Zhu as saying. The

run banks this year must help

comments highlight an urgent need for financial reform in China. The hanking system was designed to serve the needs of Stalinist-style central planning and lacks the tools to fine-tune an emerging market economy.

Last year, hanks ignored government-imposed loan ceilings and poured credit into state-run industry, fuelling an investment hoom underpinning 12 per cent growth. Industrial output was up 20 per cent. Since two-thirds of state industry is losing money, many loans will never be repaid.

Manila starts talks on growth plan with IMF

By Jose Galang in Manila

THE PHILIPPINES starts negotiations with the International Monetary Fund tomorrow on a new programme aimed at pushing the economy

towards a high-growth plane.
Philippine negotiators, led by
Mr Ramon del Rosario, finance secretary, and Mr Jose Cuisia, governor of the Central Bank of the Philippines, will be seeking credits of more than \$800m (£526.3m) under the IMF's extended fund facility to support the country's "growth-oriented" economic programme designed to cover the next

three years. The programme is part of the government's plan for a growth of 4.5 per cent in the economy this year, rising to

double digits by 1998. Because of a debilitating electric-power shortage, the economy grew by just 1.5 per cent in 1991 despite heightened optimism brought about by the improved political environ-

The current economic stahilisation programme supported hy the IMF involves stringent ceilings on fiscal and monetary expansion. It is due to end in March_

The negotiations are expected to be difficult. Early assessments of the Manila programme indicate strong pressure from the IMF to scale down the growth targets. IMF analysts had noted that

previous high-growth periods in the Philippines were fol-lowed by balance-of-payments

Owing to the heavy spendings on infrastructure allocated during the early part of the growth programme, the strategy could fuel inflation later and derail the amhltious scheme, according to some

analysts.
However, the Philippine negotiators are expected to press for the programme, hecause of the need for "a more dynamic investment and overall output performance".

Internationale

Nederlanden

Bank

The officials feel that after meeting the strict criteria attached to the current programme, the Philippines should be "in a stronger bargaining position" for the weeklong negotiations.

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ING BANK

Calm hands take the US trade reins

HEN he comss before the Senate finance committee today for his confirmation hearing, Mr Mickey Kantor can claim one attribute possessed by none of the other would-be US trade representatives. As chairman of the Clinton campaign he took his seat on the roller coaster well before his rivals came aboard.

in fact it was Mr Kantor's cool leadership that belped guide the president-elect through his worst crisis: the affair of Gennifer Flowers, the candidate's self-described former mistress.

He is so trusted by Mr Clinton that it was surprising when the president-elect selected others to oversee the presidential transition.

Instead Mr Kantor was given the chore of setting up last month's widely applauded Little Rock economic conference, and he became the only campaign official to be nominated for a cabinet post.

in Washington, where he is little known, the appointment was greeted with some gloom as Mr Kantor has had little experience with trade. One of the kindest remarks made of him since his nomination came from Mrs Carla Hills, the current trade representative, who hriefed him and called him "a willing learner". Another senior US trade official dismissed worries: "Trade isn't exactly quantum physics, you

Mr Kantor been portrayed in the press as just another lobbyist, whose long list of clients has included NEC, the Japanese ciectronics conglomerate. Atlanta Richfield, Philip Morris, Occidental Petroleum, and Martin Marietta. It has been suggested that Mr Clinton, who promised in his new order to "put people first", will continue to let corporate interests hold sway in Washington.

Mr Kantor and his friends are likely to find this view ironic. Born in Teunessee, he grew up during the worst school integration battles and became an ardent civil rights supporter.

He began his career as a poverty lawyer, focusing on the rights of migrant farm workers, and founded the Los Angeles Conservation Corps, which is designed to teach discipline to urban teenagers. He was also a member of the under the soon-to-be secretary of state Warren Christopher, which was charged with recommending reforms for the Los Angeles Police Depart-

Mr Kantor began working for the election of liberal Democrats in California in the 1970s. and supported former Governor Jerry Brown, later one of Mr Clinton's opponents for the Democratic nomination. In 1974 he threw himself into the campaign for former Vice-President Walter Mondale, Among politicians he is seen as hardworking, tough and highly effi-

His prestige was not boosted by the way in which Mr Clin-ton chose him as trade representative. He was not included in the economic team, which was the first batch of appointments, and was the last cabi net member to be a named. This came in a last-minute flurry to finish all key appointments by Christmas.

The post reportedly had been offered to Mr Ron Brown, who chose to be commerce secretary and who announced at his confirmation hearing that the Commerce Department would lead the way on trade policy.

Mr Clinton then met Mexican President Carlos Salinas de Cortari and promised to appoint one person to take

Nancy Dunne examines the challenges facing Mickey Kantor

charge of completing side agreements on the North American Free Trade Agree-

The Clinton camp, perhaps realising that Mr Kantor had once again been slighted, suggested that the person in charge would be Mr Kantor. Congressman Kika de la Garza. chairman of the agriculture committee, sald the new position could be akin to ambassador on Mexican affairs in the State Department

Intelligent and able as Mr Kantor may be as a legal negotiator, he still has to learn ths Uruguay Round portfolio. He is being urged by at least one influential private-sector lobby-ist to call for an overall reassessment of the Round, during which he would consult with Congress, husiness groups and US trading partners. He would then be able to ask for an extension of the fast-track negotiating authority.

Mr Kantor is also likely to sion on whether or not to retallate against Japan for its failure to ahlde hy a market-opening agreement on semiconductors.

He will find much on his plate and many critics ready to pounce if he fails to take a firm grip on the trade reins.



Show time: Michael Jackson (left) joins Bill Clinton, his daughter Chelsee and Diana Ross during inaugural celebrations

No rain falling on this parade

Washington is enjoying the party despite Iraq, writes Jurek Martin

Uruguay Round talks await signal

Liberalisation of Sonth negotiators, as well as Mr Korea's rice market, as pro- Arthur Dunkel, director-gen-

THE last time the leader of the "out" party took over the White House, national attention was divided. Jimmy Carter spent most of his last morning as president hanging on the telephone, waiting to hear news from Tehran that the aircraft carrying the US hostages had taken off. in what was seen in the US as a last, cruel twist of the knife by Ayatollah Khomeini,

before the word was received in Washington. There is a similar sense pervading Bill Clinton's inaugural week, with the US-led coalition engaged in air raids and dog-fights in Iraq, with President Saddam Hussein continuing to blare defiance and with President George Bush, looking grim and serious, tucked away at Camp David in Maryland's

Catoctin mountains, issuing

THE Trade Negotiations

Committee, the most senior

negotiating body of the Uru-

guay Round of trade liberalisa-

tion talks, will today formally

take stock of the six-year-old

talks oo the eve of President

awaits a signal from the new administration in Washington.

Community negotiators did not

make the necessary break-

through in their last-minote

dash for the line before Presi-

dent George Bush leaves office

tomorrow, EC officials said

Although US and European

Bill Clinton's inauguration.

his final orders.

By Frances Williams

it was nearly two hours into

Ronald Reagan's presidency

Mr Clinton, indeed, might well set a record for a new president by having to authorise more offensive action in a distant part of the world within hours of moving into the Oval Office. Bot the late night briefings

General Colin Powell and his more carefully phrased public utterances on Iraq are not spoiling his party. If the first two days are anything to go by, this may prove one of the more memorable celebrations of the transfer of power. Sunday's "reunion" on the Mall, against the floodlit backdrop of the Lincoln Memorial, was everything it was cracked up to he. Surely never has there been a finer fireworks display, rattling windows all across the nation's capital, while not even Mr Reagan, a product of Hollywood, could assemble the galaxy of enter-

tainment stars performing in a

posed in the Uruguay Round of

global trade talks, would

threaten the survival of many

of the country's 6m farmers, a

delegation from the country's

National Assembly said yester-

Six deputies have been in

yesterday there was a basis for

a Uruguay Round settlement.

some weeks beyond that is

now a realistic working

hypothesis," a senior EC nego-

tiator said, referring to the

March 2 deadline for submis-

The beginning of March or

day, writes Frances Williams.

president-elect's honour.

to catch the sense that he was about to become president. For once he was not operating on what has become known as Clinton Standard Time, in which the timing of all appointments and engagements is strictly notional. He was only four minutes late arriving at the Lincoln Memorial from Charlottesville, Virginia, on Sunday and did not drop in for a chat at McDonald's on his dawn run down Pennsylvania Avenne yester-

Finally. Mr Clinton seemed

Clinton's words also matched rhe spirit of the moment. in a mercifully hrief speech, he invoked Lincoln's "better angels of our nature" to guide his presidency. Earlier, in Monticelio, he was asked by a young boy what cabinet post he would give Thomas Jeffer-

eral of the General Agreement

on Tariffs and Trade, on South

Korean opposition to "tariffi-

cation without exception".

This proposal would oblige

countries to convert all farm

import harriers into tariffs,

which would then be gradually

sion of a Uruguay Round pact

to the US Congress under the administration's current nego-

US officials have implied

that, if President Clinton

requested it, Congress might

be prepared to grant the talks

tiating authority.

and I would resign, so be could become president again," he said. Mr Gore, more predictably, talked of Jefferson's environmental qualifications. Yesterday was Martin Luther

him secretary of state, then Al

King Day, a national holiday in most of the country. The great civil rights leader had delivered his immortal "I have a dream" speech from the steps of the Lincoin Memorial, and yesterday morning Mr Clinton paid further tribute to himin an address at Howard University, Washington's overwhelmingly black college. His widow, Mrs Coretta Scott

King, had her mind on some-thing else yesterday as she criticised the raids on Iraq. Perhaps it was ber way of reminding Mr Clinton that

an extension, although this

could not go beyond the end of

May, when the negotiating

The Clinton administration

would then have to seek a new

mandate, which would almost

certainly mean changes to the

Uruguay Round agenda and

another long delay before the

108-nation talks could be com-

EC negotiators have consis-

tently pressed for an early deal but might welcome a short delay until after French elec-

tions in March. The French

government has threatened to

veto the Uruguay Round pack-

age, which embodies a farm

trade deal it opposes.

mandate expires.

there is a real and troubled world out there that not even the most fabulous of Washing-HONDA of Japan yesterday moved to strengthen its positon parties can conceal for son if he were alive. "I'd make

tion in the European motorcycle market by announcing an alliance with Piaggio, the Italian manufacturer, writes Charles Leadbeater in Tokyo.

cycle manufacturer, with a

made in 33 plants. larly the strong growth in exports to the rest of Asia. have helped Honda weather

Under the basic agreement between Honda and Piaggio, working groups will be set up to examine product develop-ment for the European market. The objective is to establish a collaborative working relationship focused on new product development in small and mid-

The Japanese company will also provide some key components for Plaggio, such as engines for the company's Gilera range of motorcycles.

pean market.

Haiti military agrees to talk on democracy

in Kingston, Jamaica

HAITT'S military rulers have yislded to growing international pressure and say they are willing to discuss the resto-ration of democracy in the country. Until now, they have resisted efforts to restore the Caribbean republic's elected president since a coup nearly

16 months ago.

The change in the military's position, indicated in a letter from General Raoul Cedras, the army chief, to Mr Dante Caputo, a United Nations special envoy, still leaves unclear whether the army leaders will agree to retire. Their departure from the army is one of the persistent demands of Father Jean-Bertrand Aristide, Halti's exiled president.

The military has made its apparent concession in response to the UN's increas-ing role in trying to have Fr Aristide restored to the presidential palace, following a year of failed efforts by the Organisation of American States Diplomats in Port-au-Prince,

Haiti's capital, said yesterday that Gen Cedras's decision - over the objections of Mr Marc Bazin, the army-appointed prime minister - was the result of a growing realisation that the UN would adopt stronger measures against the country, including the tighten-

ing of the economic embargo. Mr Caputo said Gen Cedras had agreed to the deployment of an international observer force in Haiti, and to the start of discussions on ending the crisis. Those discussions are likely to deal with the appointment of a mutually accept interim prime minister and the conditions under which Fr Aristide can return to the

Army leaders have previously insisted privately that Fr Aristide would not be allowed back into Haiti "under any conditions."

Aides of the deposed presi-

dent have said he wants the Haitian military to accept an agreement brokered just under a year ago for the appointment of an interim premier, which was scuttled when soldiers threatened legislators before they could ratify it.

A solution of Haiti's political crisis will be high on the foreign policy agenda of US Presi-dent-elect Bill Clinton, who is concerned about a flood of refugees. Both he and Fr Aristide have told Haitians to stay at home and the US coast guard has tightened its cordon against refugees from Haiti.

Said one diplomat: "To get the army to go along with any plan which will put them out of effective control while restoring Mr Aristide will take some doing."

Honda in motorcycle seeks to tie-up with entice

Piaggio, which makes the Vespa scooter as well as mopeds, motorcycles and small commercial vehicles, is Europe's largest maker of

to co-operate in the design, manufacture and procurement of standardised parts for use in their motorcycles for the Euro-

Piaggio

Honda, which already has a

wide-ranging technical collaboration with Peugeot of France, is the world's leading motorworld market share of about 40 per cent. It sells about 3.5m motorcycles a year worldwide.

Motorcycle sales, particuthe downturn in its Japanese

sized motorcycles," said Honda.

Cuba to offer oil licences

OIL-STARVED Cuba, which is trying to develop its domestic oil deposits, will next month offer 11 onshore and offshore blocks for exploration and development by foreign companies, Renter reports from

It will be the first international tender of its kind hy Cuba, which has suffered severe oil shortages since the collapse of its preferential trade links with the former Soviet Union.

Cuhapetroleo announced that the tender inviting hids would be officially presented in Calgary and London on February 10 and 17 respectively.

On offer for prodoction sharing contracts were seven onshore and three offshore blocks, with one block straddling land and sea. Foreign oil companies had until August 1 to present their bids. A British company, Simon Petroleum Technology, would help organCupet officials said the blocks were in various parts of the island, including one in the westero province of Pinar del Rio and another in south-eastern Granma province. These were areas which were either unexplored or where past exploration dats were now out of date, the officials said.

A second tender offering more expioration blocks was planned for later.

Over the past two years, Cuba has awarded contracts

Italians to build Tube link

By Haig Simonian

1TALSTRADE, the civil engineering arm of Italy's IRI state holding company, has signed a letter of intent for a L80bn (£35m) contract to huild parallel tunnels beneath the Thames for a crucial section of London Underground's £1.7bn Jubilee Line extension.

The 2.5km tunnel, linking the new Canary Wharf Tube station with that at Canada

the Thames, will pass 35 metres below ground level. Construction, which involves Italstrade and two smaller Italian hullding groups, will

take four years. Italstrade, Italy's second biggest civil engineering group, has also given details of three other important contracts not previously announced.

Work has begun on the L200bn extension to Tanglers of the Casablanca-Rabat motorway in Morocco. In Tur-

Berke dam on the country's border with Syria; while in Romania, construction recently started on a L240hn terminal building for Bucharest airport. Italstrade has been short-listed for a second Jubilee Line

L285hn contract to build the

contract from London Underground for a parallel 2.85km tunnel from London Bridge to the new Canada Water station. The \$63m deal would take just under four years to com-

The two companies also plan

The Cuban state oil company ise the tender. for seven exploration blocks. Water on the south bank of Chile closes book on pioneering debt-swap experiment

centrai bank, the growth of direct foreign investment and the strength of the economy have done away with the need for speciai incentives such as deht-equity conversions. But the effects of the pioneering scheme are still working their way through the Chilean finan-

cial system. The bank is expecting a significant increase in profit remittances this year after relaxing the rules for foreign investors who acquired Chilean assets through such swaps. Contrary to expectations, the central bank is relishing the prospect of a wider current account deficit - forecast to double to 3 per cent of GDP in 1993 - to ease a dollar glut which is putting pressure on the exchange rate and complicating monetary management. Chiie's net International

reserves climbed from \$6.6bn

to \$9bn (£5.9bn) in 1992, enough

to cover a year of imports and

equivalent to roughly half its

foreign debt. The dollar bounty

- product of a healthy trade

surplus and net capital inflows

 was inconceivable during Another rough estimate places the lean 1980s, when Chile pioneered debt-equity swaps to lighten Its foreign dsbt. Between 1985 and 1991 Chile retired an estimated \$10.5bn of foreign debt through debt conversions, most into equity in Chilean companies. To help nudge some of the dollar inflows out of the coun-

try, the bank has lifted all restrictions on the repatriation of capital and profits, subject a 3 per cent exit fee on the original value of the debt-equity swap. Previously these investments were subject to a four-year wait for profit remittances, while the capital was tied in Chile for 10 years.

However, remarkably few multinationals appear so far to ha taking up the offer. Unless a parent company is in financial straits at home, multinationals have chosen to plough profits into their Chilean businesses, which have been providing handsome returns. The central bank's "very rough estimate" for 1992 places net reinvested profits at up to \$700m, of which \$400m correspond to debt-equity investments.

the stock of foreign direct investment in Chile within the \$10bn-\$13bn range - roughly 30 per cent of GDP. About \$4bn of this was acquired through debt-equity conversions.

Bankers Trust, one of the earliest and most successful deht-swappers, has also been the first this year to call in

part of its investments. In January Bankers Trust sold its

majority stake in AFP Provida,

the largest private pension fund in Chile, to local investors

for \$53.1m. It originally bought a 60 per cent share in AFP Provida for \$9m in 1986, and

later sold part of this to Chemi-

cal Bank and the Bank of

Tokyo. The three banks say

they will repatriate \$44.5m

abroad. The remainder will be reinvested in their fast-grow-

The greater freedom con-

ferred to deht-swappers has

ing life-insurance business.

also prompted some foreign investors to rethink their business strategies in Chile. Citibank, which converted

\$145m of its own Chilean debt paper to invest in forestry, fishing and mining ventures, has now put many of these up for sale to expand its local financial services. Mr Carlos Fuks, Citibank's general man-

ager in Santiago, says all the

proceeds will be reinvested in

Chile. Only a small portion of

debt-swap profits will be remit-

ted, for the first time, in 1993.

step for a bank of investing in

new productive ventures - the

biggest was a \$460m pulp mill in partnership with Royal Dutch/Shell and Scott Paper of

the US. Other foreign banks chose to buy into local banks.

life insurance companies and

private pensioo funds. Many built up stakes in Chile's priva-

tised companies or simply gam-

Citibank took the unusual

bled on the stock exchange. "It would have been more profitable to get into equities," Mr Fuks reflects. "In retrospect, our debt equity swaps benefited Chile more than they did our bank."

Although debt-swaps were authorised freely to finance everything from the Mormon church to Pepsi Cola bottling

Foreign investors are now free to rethink their strategies, writes Leslie Crawford

plants, perhaps the greatest

impact of the programme has

been in the development of the pulp and paper industry. Three new pulp mills costing \$1.5bn have entered production since 1991. All of them included deht-equity conversions as a key part of project finance. The New Zealand for-estry group Carter Holt Harvey, which came to Chile in 1987 with a \$164m debt-equity deal, once described its Chilean assets as its "most profitable off-shore investment".

Another New Zealand group.

Fletcher Challenge, acquired a to the country," Mr Ffrench-newsprint mill in 1987 using Davis says. "No thought was \$130m of Chilean debt paper bought at a 34 per cent dis-Mr Bryce Whitcher, Fletcher

Challenge's representative in Santiago, says the discount made the transaction attractive and the risk acceptable. "It is difficult to be certain

whether any investment would have been made without the debt swap," he says. "There was and still is a strategic fit to our other forest investments, but it may not have been of the size or at the time of the actual investment." Despite its success, Chile's use of debt-equity swaps had

detractors from the start. Mr Ricardo Ffrench-Davis, a for-mer central bank director of studies, estimates foreign investors were subsidised to the tune of \$1bn by buying Chilean debt paper at a dis-count on the secondary mar-kets and exchanging it at near face value for pesos in Chile. "While it is true that swaps

heiped reactivate confidence and investment in Chile, this was done at a very great cost

given to which sectors of the economy would most benefit from debt-equity conversions. The subsidy was handed out with no criteria."

Central hank officials say privately they never felt comfortable as guardians of this huge subsidy for foreign investors. More than 300 swaps were approved between 1985-90, and keeping tabs on all the money proved an impossible task. The central bank knows of several cases of fraud which it cannot prosecute due to lack of evidence. Nor have they wished to create unnecessary hostile waves for the majority of bonafide investors.

While Chile is closing this chapter, other countries in the region are still actively using debt-swaps as an integral part of their privatisation pro-

Argentina has cancalled \$12bn of debt through debt-equity conversions in the past three years. Peru is also studying the Chilean model as it puts its own privatisation programme into gear.

Ecuador investors

ECUADOR'S sweeping reform of investment regulations last week has opened all sectors of the economy to foreign capital.

Direct foreign investment will be treated under the same conditions as national capital and will no longer require prior government approval, while profits can be freely expatriated and converted into hard currency.

Under the new law, which replaces one enacted in June 1991, all transfers of company shares will antomatically be approved by the Ministry of Industry, opening the way for foreign acquisitions of domes-

tic companies. Mr Mauricio Pinto, minister of industry, commerce and fisheries and one of the driving forces behind the new law. says sectors which have been completely opened up to foreign investment include the public services, banking, telecommunications and insur-

Banking, for example, had been limited to 49 per cent foreign ownership.

While many observers of the Ecuadorean economy acknowledge that the new law is a hig step towards liberalising foreign investment, they are cau-

Mr David Edwards, an economist at the US embassy in Quito, says some issue have not been addressed by the regulations, including price fixing in the pharmacentical industry, weak copyright protec-tion, and the macro-economic climate. While he does not see US

investors rushing in to the Ecuador market, he says US companies have expressed interest in the telecommunications industry. He also expects Colombian and Venezuelan investors to

bny majority shares in Ecuador's banking industry; they have already acquired minority stakea in recent months. According to Mr Carlos de la Paz of the British govern-ment's Overseas Trade Service, companies such as British Petroleum and British Gas,

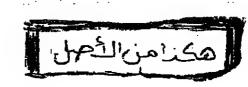
which left Ecuador in 1990 and 1991 respectively, may now reconsider returning.
"Some British mining companies will be happy," he says. Above all, he adds, the new regulations are a sign that the government is heading in the

right direction One issue the new regulations do not address is the unequal tax structure.

While domestic companies are taxed at a flat 25 per cent, foreign companies pay an additional 11 per cent on remitted profits and in some cases more. Reforming the tax structure would require congressional approval, but Mr Jose Villacis, an economist at the sub-secretary of commerce, expects a law to be passed

Raymond Colitt

SOON.



tary talk FINANCIAL TIMES TUESDAY JANUARY 19 1993

After Vears of irreverent, penetrating. hard-hittin IGPULLIE, somebody finally put Forbes in its place.

Labour split on Maastricht treaty tactics

By Philip Stephens and David Owen

THE government's hopes of pushing through legislation to ratify the Maastricht treaty were giveo a significant boost yesterday as splits emerged in Britain's opposition Labour party over the bill endorsing closer EC integration.

As the legislation returned to the House of Commons yesterday for another three-day ses-sion of line-by-line debate in its Committee stage, prominent pro-Europeans on the Labour benches challenged their party's official policy.

The government can ensure the passage of the hill only if it wins a series of "closure motions" to limit debate on the hundreds of wrecking amend-ments proposed by Euro-sceptics in the Conservative party. Labour policy has been to join with the rebels to oppose such

But a number of pro-European Lahour MPs are now warning that the party's tactics risk undermining its European credentials.

Skilful handling of the bill hy Tory party managers and the tacit support of smaller parties has so far allowed the government to win closure motions on two of the 25 must be dehated in the Com-

At the same time, the successful outcome of the Edinburgh sumput has intensified the unease of Labour supporters of the treaty about being seen as allies of the Tory Euro-

More than 85 Labour MPs last month signed a parliamen-tary motion calling for the "rapid completion" of the Maastricht treaty's ratification. Many of them now want the party leadership to abstain on closure motions as long as the government continues to give reasonable time to debate the

Mr John Smith, the Labour leader, is expected to oppose any formal shift in the party's position. But leading Labour MP predicted last night that support for the official line was

likely to "melt away." Debate yesterday moved to

Challenging the government to explain how it defined industrial policy, Lahour spokesman Mr Derek Fatchett argued the free market had failed in the 1990s, "The role of government intervention is

Government names first rail regulator

By Richard Tomkins, Transport Correspondent

THE government yesterday chose a lawyer and a former merchant banker to take two positions at the centre of its vatisation of British Rail, the

state-owned railway.
They are Mr John Swift QC. an expert in competition law. who is to become the Rail Regulator, and Mr Roger Salmon, a former director at N.M. Rothschild merchant bank who is to become the Director of Passen-

ger Rail Franchising. Mr Swift will play a key role also be responsible for protect- some Conservatives.

The divisions are expected to emerge publicly tomorrow at a meeting of the parliameotary Labour party. The pro-Euro-pean MPs believe that they can rely on the support of less committed colleagues who have already become exasperated at being forced to remain con-stantly in the Commons simply to be on hand to vote against

industrial policy, with Labour choosing to highlight Britain's poor record on unemployment compared with its European

back on the agenda," he said.

just after last April'a general election could mean "som economic recovery in 1993, barring any minor setbacks." But in the north-east, the Northern Development Company and the Teesside and Tyne and Wear chambers noted that husiness perforing rail passenger's interests.

Mr Salmon will be responsimance is still some way below the levels achieved during the

first half of 1992.

hie for franchising private sec-tor companies to take over the The surveys also reveal operation of BR's passenger improved export prospects, services and making sure they most notably in the north-east fulfil their obligations once the and Cumbria where, of the 769 franchises are awarded. companies responding, 47.8 The appointments follow the per cent reported higher sales. government's decision last Yorkshire and Humberside month to install Mr Boh Horchambers attributed the stronger export trend to sterling ton, former chairman of British devaluation but warned that Petroleum, as vice chairman of BR with special responsibility the slowdown in Germany, the for setting up Railfrack, the region's largest export market, state-owned authority which meant this may not last.

will own BR's tracks. Such caution mirrors that of Completion of these key the Birmingham business appointments further emphagroup of the Confederation of as Rall Regulator, ensuring sises the government's determination to press ahead with mination to press ahead with recently reported that a higher flow of orders was coming flow of orders was coming flow of orders was coming flow. access to the rallway tracks at an acceptable price. He will from opposition parties and rather than continental

CBI survey dampens hopes of retail recovery

By Emma Tucker, Economics Staff

BRISK RETAIL trade in the last few days before Christmas failed to lift December sales above levels of a year ago, according to the Confederation of British Industry, the UK employers' organisation.
The CBI distributive trades

survey published today contradicts anecdotal evidence of a boost to shop sales last month, showing instead that, overall, many retailers bad a disappointing Christmas. Mr Nigel Whittaker, chair-

Northern

businesses

see signs

of upturn

A SLOW recovery has started

in the northern countles of

Yorkshire and Humberside,

according to a survey of busi-ness performance carried out

by the region's chambers of

Similar sorveys in north-east England and Cum-

bria, and in the east Midlands,

also reveal a modest increas

in sales and orders during the

last quarter of 1992, repeating

the experience of companies, reported by regional chambers

earlier this month, in north

west England, the west Mid-

Yorkshire and Humberside, with the largest regional can-

vass of companies - 1,464 of them - said the return of

orders to the levels recorded

lands and north Wales.

By Our Regional Staff

trades panel said the results were an improvement on recent months, and that sales were expected to be up on a year ago this month.

Sales are now reported to have fallen on a year-on-year basis for three successivs months. In December, the balance of retailers reporting an increase in sales minus those reporting a decrease was -4 mpared with +5 in Decemher 1991. In November the balance was -9.

The CBI noted a marked discrepancy between the perfor-

man of the CBI's distributive mance of hig retailers, who indicated sales were np. and small retailers - employing less than 200 people - who did badly. It also believes consumers have become more discerning and may have been waiting for the January sales before

making significant purchases. Specialist food shops, off-licences, hooksbops, stationers and DIY retailers were among those who suffered a particularly dismal month. Off-licences said sales had declined significantly year-on-year for five successive months. Business was hetter for confectioners, tobacconists, newsagents, chemists and clothing retailers whose sales were higher than in December 1991. The survey, conducted between December 16 and January 6 is the first indication that Christmas sales did not live up to expectations.

Mr Whittaker said: "Consum-

ers are cantious and are looking our for bargains. The cuts in interest rates in the Antumn have not had their full impact on spending."

Official figures tomorrow are expected by economists to show a small increase on the

rise - around 2 per cent - on

The CBI said motor trades had the best month in Decem her, with sales increasing against expectations. Although sales for the time of year con-tinued to he poor, they improved on November with

sales of vehicles increasing. Wholesalers reported a yearon-year decline in sales for the third successive month. The survey said they were able to reduce stocks in December foilowing cuts in orders placed



Britain in brief

Patten plans shake-up in education

radical reforms to primary education in England, including the streaming of pupils by ahility and an overhaul of pri-mary teacher training, have been announced by Mr John Patten, education secretary. They mark a further stage in

the government's assault on "progressive" teaching.
Mr Patten is writing to all
19,000 primary schools in
England arging them to
"achieve a better match of work to children's needs." His "five-point plan" includes greater use of "whole class" and specific-subject teaching, the introduction of streaming by subject where possible, and the grouping of children hy ability where not. This is the first time the government has sought to make streaming at . primary level a matter of national policy.

Support for Indian trip

Mr John Major won support from industrialists for taking senior husinessmen on his india trip next week - a move described by Downing Street as part of efforts to create UK jobs and promote co-operation. One delegation member. Mr Howard Davies, director geoeral of the Confederation of British Industry, hailed the trip was symbolic. "To find a bit of prime ministerial time spent on promoting exports in a very large but difficult mar-ket is something which cheers people np," he said.

Guinness files "went missing"

Documents relating to the

£5.2m allegedly stolen from

Guinness by Mr Thomas Ward,

the US lawyer, went missing after his attorney went

through files on Mr Ward's transactions, an Old Bailey

The files were held in the offices of Mr Michael Dee, a

Jersey-based company admin-

istrator who looked after Mar-

keting and Acquisition Consul-

tants Ltd. MAC, a company

owned hy Mr Ward, the court

was told. Giving evidence, Mr

Dee said that in December

1986, Mr William Dwyer, Mr

allowed to review the files on

MAC. He was left alone in Mr

Dee's offices for a hour or two

When Mr Dee next looked at

Ward's attorney, had

jury has been told.

vulnerable on research and development and the use of advanced manufacturing technology relative to Germany's performance." he said.

"fully prepared" for the single European market, with 89 per cent of companies already selling or planning to sell goods in

Companies obsessed by cost-cutting says survey

By Andrew Taylor,

BRITISH manufacturers are obsessed with cost-cutting and are failing to invest sufficiently in research and development according to a survey pub-lished today. The survey of more than 200

managing directors and technical directors warns that Britain is in danger of squandering improvements in productivity and quality through not paying enough attention to product development.

facturing design company which conducted the survey of companies with more than 300 employees, said that most man-ufacturers identified research and development as a cost rather than an investment.

A third of those questioned

tervision's managing director of managing director, said lack of investment was the higgest obstacle facing manufacturers.

said cost-cutting was the most important issue facing their Mr Garreth Evans, Compu-

"Firms see themselves as

Almost 75 per cent of manu-facturers declared themselves

the flies there were "one or two" documents he could no ionger find, he said. These included a file note recording Mr Ward's instruc-

to do this.

tions to transfer £3m of the £5.2m to the Swiss bank account of Mr Ernest Saunders, the former Gninness chief executive, he said. Mr Ward is charged with the

theft of the £5.2m from Guinness, and single charges of false accounting and executing a valuahis security in connection with the alleged theft. He denies all the charges. The trial continues today.

Nationwide closes agencies

Nationwide, the UK's second largest building society, says it is to close 58 of its 361 estate agency branches with the loss of 300 jobs, after a year-long review of its estate agency husiness. The society, which has a high ratio of costs to income compared to other societies, says the move indicated its continued confidence in the rest of its estate agency husiness, which last year lost £12m.

Lawyers plan to save £43m

The Law Society and the Bar have put together a package of cost-cutting mensures designed to replace the Government's proposed cuts in legal aid eligibility. The proposals are calculated to save £43m - the savings in the legal aid hndget the Lord Chancellor has said he must find to meet Treasury targets.

Hoteliers are more optimistic

The proportion of UK hoteliers who think recovery has begun increased to 27.1 per cent in the last quarter of 1992, compared with 13 per cent in the previous quarter, according to Horwath leisure consultants.

The Gatsby Foundation dis-bursed about £15m last year, making it Britain's third larg-Code planned on EC jobs and pay law

By John Willman, Public Policy Editor

THE government is planning to publish a clear and definitive explanation of bow EC legislation protecting the jobs and pay of workers in mergers affects the contracting-out of public services, Mr William Waldegrave said yesterday.

Mr Waldegrave, the public services minister, was addressing s conference organised by the Cabinet Office to involve business in the government's market-testing programme. Doubts over whether the EC legislation applies have cast a

shadow over the programme, which will put £1.5bn of civil service work out to tender by

the end of September. A series of judgments in the European Court of Justice has extended the scope of the EC legislation to contracting out. Experts in employment law have warned that companies which win contracts to provide

public services are likely to be covered by the Transfer of Undertakings (Protection of Employment) Regulations 1981 - known as Tupe. This would make it harder for them to sack workers.

Mr Waldegrave told the con-

ference that the Tupe regula-tions had not hindered markettesting in the past, nor would

they in the future. He warned that whether the regulations applied to any contract depended on the particular circumstances of the case. Companies hidding for work should take legal advice on whether they applied in each

Yesterday's conference attended hy more than 500 husiness executives - was picketed by civil service trade unions. Mr John Ellis, secretary of the Council of Civil Service Unions, described the programme as the "biggest car boot sale ever held".

By Guy de Jonquières, Consumer Industries Editor

MR DAVID Sainshury, chairman of the J. Sainshury

supermarket chain and one of

Britain's richest men, has

given shares in the company

worth £200m to the Gatshy

Charitable Foundatioo, a

grant-making trust which be has funded since 1967.

The donation, from Mr Sains-

bury's personal holding, is believed to be by far the larg-

est UK charitable contribution

hy a private individual in

recent times. It was described

as "a staggering sum" by the

The unions warned that they would oppose the market-testing programme which exposes the jobs of over 44,000 civil servants to competitive tendering. The CCSU said it would use the Tupe regulations to ensure that contractors maintain civil service pay and conditions. Mr Waldegrave, however,

challenged the assumption that all contracting-out involved cutting the pay and conditions of the workforce. "Many existing transfers where Tupe does apply have still proved worth-while for contractors," he said.

International commission seeks proposals on Ulster whose husband Brian was the

Towns and villages across Scotland were yesterday struggling to cope with serious flooding following a rapid thaw after weeks of

Charities Aid Foundation welcomes 'staggering sum'

Sainsbury gives trust £200m

est grant-giving trust mea-

sured hy spending. Yesterday's donation of 35.6m J. Sainshury

ordinary shares - roughly 2 per cent of the company's

equity - will increase its capi-

Named after F. Scott Fitzger-

ald's novel The Great Gatsby -

the tragic tale of an ostenta-

tious American parvenu whose fortune stemmed from shad-

owy origins - the trust

finances a wide range of activi-

ties close to the 52-year-old Mr

Sainshury's personal interests.

They include management

and technical education, Afri-

can development programmes,

support for disadvantaged chil-

dren, economic and husiness

research, health care and plant

science. The trust is a leading

supporter of the Centre for Business Strategy at the Lon-

tal to about £500m.

By Jimmy Burns

AN international commission of inquiry seeking ways forward on Northern ireland begins three weeks of public bearings today in Belfast.

The commission is chaired by Professor Torkel Opsahl, a leading international human rights lawyer and United Nations adviser.

Other members include Mr Eamonn Gallagher, the former EC director general of fisheries, and Lady Faulkner of Downpatrick, a formar BBC governor for Northern Ireland.

last prime-minister of the Stormont assembly. The idea for the commission came from Initiative '92, an

don Business School, where Mr

Sainsbury is chairman of the

The trust is the largest of several charitable organisa-

tions founded by members of

the Sainsbury family, which

have total assets of about £1bn.

Three of Mr Sainsbury's cous-

ins helped finance the con-

struction of the National Gal-lery Extension in the 1980s.

The Gatsby Foundation has

pledged to retain its J. Sains-

hury shares as an investment.

They currently pay an annual dividend worth about £4m.

Mr Sainsbury, who became chairman of the company in

November, will remain the

wealthiest member of the fam-

ily with a personal holding of

312.5m shares - 17 per cent of

the company's equity - after

board of governors.

independent non-political group formed two years ago by Mr Simon Lee, a law professor at Queen's University, Belfast, and Mr Robin Wilson, the editor of Fortnight, a local current affairs magazine. The commission has funding

from several charity groups led by the Joseph Rowntree Trust, Barrow Cadbury, the Northern Ireland Voluntary Trust, and the Nuffield Foundation.



Anthony Cowgill: seeking a political hearing for industry

Industrial alliance improves political links Peter Marsh examines the work of a foundation aimed at promoting growth

A British companies including Imperial Marks Brttisb companiea Chemical Industries, Marks and Spencer and Rolls-Royce has emerged es a force trying to insure that UK policies encourage growth. Senior managers from the

at 10 Downing Street with Mr Gus O'Donnell, Mr John Major's press secretary, at which they pass on views about actions they would like from the government. The group, the British Management Data Foundation, is the hrainchild of Mr Anthony

group have quarterly meetings

Cowgill, a 77-year-old former army officer who founded it in Members include Shell UK Wellcome, Allied-Lyons, ICL. British Gas, National Power, TI Gronp and Lucas. British Petroleum, Unilever and Britisb Aerospace, while not part of the foundation, sometimes

News of its largely unpubli-

cised activities comes as indus-

try steps up its efforts to win a

bigger voice in government

send people to meetings.

after several years of complaining that policies do not value manufacturing highly enough. in a meeting with Mr O'Don-nell in November, the foundation pressed for long-term efforts to make government officials more sympathetic to manufacturing, as well as for cnts in interest rates. Mr O'Donnell said notes from the meetings were passed to Mr Major.

The group last year mst Mr Michael Heseltine, trade and industry secretary, to discuss how to promote industrial innovation. It has recently started a discussion with Mr Alan Budd, the Treasury's chief economic sdviser, in an effort to huild on the Treasury's initiative to foster better

links with industry.

Members also have called for government action on educa-tion and training to boost the numbers of young people who know about technology. in the past three months, the group and other organisations

putting similar views have

seen their efforts at least

Mr Norman Lamont, the or main-board directors. As a chancellor, unveiled a modest result, industry representatives package of measures to help industry in the November Autumn Statement, while Mr John Major has stressed that the March Budget should follow similar principles. The prime minister has also talked sbout making the civil service more sympathetic to industry.

more receptive approach by the government," says Mr Cowgill. "And on the part of industry there has also been a change, with less whingeing and more selectivity about the things it wants from the politi-The former hrigadier, who set up the foundation in 1980

"We are beginning to see a

after taking over an existing angineering study group, said the foundation's main role is to set up meetings involving its memher companies and the government. There were about 40 such gatherings last years. most of them receiving little or no publicity.

Taking part in these talka normally are senior managers rather than company chairmen result, industry representatives do not necessarily have to repeat company views, hut say what they really think about specific issues.

in keeping with this goal of encouraging dialogue rather than pushing fixed ideas, Mr Cowgill does not like to call himself a lobbyist. He prefers the term "illuminator of facts". Mr Cowgill describes his organisation - which provided him with a £35,000 salary last year - as a "Mickey Mouse outfit." He runs the foundation from a converted garage in his

Mr Richard Freeman, chief economist at ICI, says: "It has provided people in industry access to people at high levels in government they would not otherwise meet."

home in Gloucestershire, west-

ern England.

Membership of the group costs 25,000 a year and is by invitation of Mr Cowgill. It features a range of companies representing many different sec-

According to Mr Malcolm I try to keep in the background and let others do the talking."

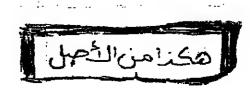
now an independent energy adviser, the most recent Downing Street discussions had a hig effect on influencing Mr Major to come out with statements asking banks to reduce the cost of husiness loans hy passing on to customere a higger proportion of recent hase

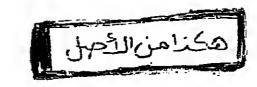
Europe and that politicians should spend more tims making sure UK husinesses can compete on a global scale. He says Britain should refuse to sign the Maastricht treaty and was delighted when Britain left the European exchange rate mechanism, which he says was keeping the exchange rate and also interest

As for his own views about

industry. Mr Cowgill thinks Britain has become too involved with the rest of

rates at an artificially high "Sometimes I walk a tightrope, especially when I am in a discussion with the government," he says. "Bnt normally





FINANCIAL TIMES TUESDAY JANUARY 19 1993

First.

Forbes finishes number one in ad pages among all magazines in'92.

Oh, what a year it was. From our exclusive interview with Michael Milken to our special 75th Anniversary issue, it was a year of editorial firsts. It was a year which saw our rate base climb to a record-breaking 750,000. A year in which we successfully launched the first technology supplement written for today's business executive, Forbes ASAP.

It was also a year when, for the first time ever, more advertisers chose Forbes to deliver their messages than any other magazine. A first for any non-weekly publication.

We'd like to thank everyone, readers and advertisers alike, for helping make this year truly unforgettable. As for '93? Our first priority is to make it a year second to none.

Forbes

Source: Advertising Age 12/21/92

No guts. No story.

In spite of improvements, banks still fail small business customers. Charles Batchelor looks at the commercial relationship in which normal rules do not seem to apply

Calling lenders to account

companies fall over themselves to win your business and make you feel a valued customer. Hire money from a bank and somebow the normal commercial relationship does not apply. The customer pays - though he will not be invoiced in advance - but is often left with the feeling the bank is providing a favour and not a service.

Clearly banks are different from car hire companies. The commercial relationship endures far longer; the product on offer is converted into other, sometimes negative, assets by the customer; and, on top their duty to sharebolders, banks have a responsibility to their depositors.

The uneasy relationship between the banks and a sizeable minority of their small business customers has provided fuel for an acrimoulous debate which has rumbled on for the past five years. It was given fresh impetus by the publication last week of a new study* of the banks - the fifth in a series - by the Forum of Private Business.

The forum, normally the most pugnacious of the small business lobby groups, took pains to stress the improvements which have occurred and to emphasise the need

for a constructive debate.

The study, carried out by a team from Nottingham University, found that there was no foundation to the oft-repeated claim that the banks had not passed on base rate cuts to customers. There was also a greater differentiation in the quality of service offered which the forum took as proof the banks did not operate a cartel. Barclays ranked most highly for the quality of service to small businesses while Lloyds lagged a

poor fourth. But beneath this rather optimistic gloss the survey comes to some worrying conclusions about the banks' performance. There are still "substantial weaknesses" in the banking relationship and Indications that, in the event of economic recovery, banks would not be well

demand for funds from businesses. Bank charges, interest rates and the banks' demand for collateral remain important constraints on small firms, said Martin Binks, head of the research team. The publication of business charters and tariff cards by the larger banks has belped businesses calculate their

likely charges. But there remains "genuine pessimism" about the overall impact of the charters on bank attitudes, the survey reported. For reasons which were not clear to the researchers, the Scottish Banks - Royal Bank of Scotland, Bank of Scotland and Clydesdale -

outshone their English counterparts in the quality of service provided. Possible reasons include the fact that the Scottish banks are smaller, easier to manage and can afford to be more selective in their choice of

Most worrying, given the efforts the banks say they have made to improve matters, was the view among small businesses that the quality of the banks' service had

The banking relationship

Eelow average			*	3		X
** Above everage	Barciays	Lloyds	Midland	National Westminster	English banks	Scottish banks
Bank manager helpful	***	*	**	***	* *	***
Bank manager receptive to contact	***		*.	***		**
Bank manager interested in my business	***	*	*	***	★ *** ** ** *	***
Confident in advice from bank manager	***	*	**	***	*	***
Confident that manager understands small business	***	**	***	***	*	***
infinidated when dealing with bank		**	**	**		***
Bank manager comes forward with positive suggestions to help my business	***	**	**	***		***
Rely on manager to first ways of meeting changing lineroist needs	***	*	**	***		
Manager willing to offer non-standard products:	***	.★	**	***		***

The forum survey covered more her 1992, NatWest increased the than 6,000 husinesses and provides a valid cross-section of the small business community.

At the same time banks like Nat-West claim that their own customer surveys indicate very high levels of satisfaction. A survey on behalf of all the main high street banks among start-up companies showed 92 per cent rated the banks' service as quite or very good.

One of the most common complaints of recent months - that the banks have reduced loan facilities across the board - is not confirmed by NatWest's figures, says Bradshaw, in the 15 mooths to Septemoverdraft facilities available to 39 per cent of its customers and reduced them for only 22 per cent.

This view appears to be supported by the latest NatWest/Small Business Research Trust survey which found that access to finance ranked only eighth among the problems facing small firms, well behind issues such as lack of turnover the frontrunner cited by 44 per cent of small firms questioned - and cashflow difficulties (12 per cent). Further light on this aspect of the banks' behaviour will be shed by a Treasury review of the small busi-

ness loan market to be published in

the next few weeks.

nesses deal with their bank.

The banks are poor at assessing

The banks, for their part, are quick to point out that a banking relationship is a two-way affair. The forum study found that 70 per cent of small husinesses were aware of the need to provide the bank manager with timely and regular management information. How often this awareness is put into practice is another matter but it does indicate an increased sophistication on

However hard the banks work on improving their services, they are operating in a far more critical market place. They are large organisa-tions and it will take a long time to change traditional cultures. They can expect the transition to be subiected to a painful, public scrutiny.

Report £800, summary £3.50. Tel. 0565 634467.

This finding is perhaps not surprising in a recession but many in the business community are concerned that the banks will not be able to meet demand for finance when the upturn comes. "Managers are becoming more risk-averse," says Alastair Winter of the Bank Relationship Consultancy**, one of a number of specialist consultancies which have sprung up to help husi-

risk and managers often seem unable to distinguish between a sound and an unsound business proposition, says Philip Doggett of siness Banking Reviewt.

the part of businesses.

*Small Businesses and their Banks. **Tel 071 283 5454. †Tel 071 528 8530.

Nutshell

Intellectual property rights explained

Intellectual property rights can be among the most valuable assets of a business but their importance is often overlooked because they are intangible. A guide to the legal issues has been prepared by solicitors Balleys Shaw & Gillett. Some rights, such as patents, must be formally registered hut others, including copyright and trade or service marks, arise antomatically. They are valuable because they can be used to establish a competitive advantage or because they can be sold or licensed to produce royalties.
Intellectual Property Rights and
Your Business. 17 Queen Square,
London WCIN 3RH. Tel. 071 837 5455. 16 pages. Free.

Find a workspace of your own

Managed workspaces avoid the difficulties associated with the conventional long-term property leases but can be difficult to find because they are often not advertised through estate agents.

The London Directory of Managed Workspace lists more than 350 business centres inside the M25 ring. It gives details of the size of the spaces available, costs and type of accommodation office, studio, warehouse or workshop · and offers advice on issues such as tenancy agreements,

planning permission and insurance. From South London Business Initiative, 444 Brixton Road. London SW9 &EJ. Tel. 071 274 4000 ext. 384. 88 pages. £5.

Think big, buy small urges minister

A renewed attempt to open np government purchasing to small husinesses has been launched by small firms minister Baroness

Government purchasing officers are being urged to make more use of small suppliers hy means of a video, Think Big ... Buy Small, and an accompanying booklet. Businesses wishing to learn more

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Taking the banks to task

Business owners who would once have accepted the bank manager's advice without question bave become far more critical. They are now oware of the need to manage the banking rela-tionship. Points they should watch include:

• If you are unhappy with your bank's charges check with the branch how they are calculated. Errors are common and it is not unknown for a 0 to be added to the interest rate or for penalty rates to be levied on the entire overdraft and not just the excess.

• If the manager cannot say how he has arrived at a particular level of charges press for an explana-tion. This should be less common

now the banks have published customer charters and more details of their rates but it does sometimes

declined since 1990.

The reason for this, according to

Jane Bradshaw, head of small busi-

ness services at National Westmin-

ster Bank, was that the recession

had obscured the progress which

NatWest has increased training

programmes to familiarise manag-

ers with the problems facing small

business, freed staff from adminis-

trative duties to concentrate on cus-

tomer relations and improved the

service provided in specialist areas

such as franchising, Bradshaw

However much the banks

improve their services they will

always suffer from the fact that

they have to refuse finance to some

of the people who ask for it, she

says. And, she notes, any survey of

banking issues will inevitably high-

last assertion hut the banks' usual

defence - that the banking horror

stories which have received public-

ity are anecdotes without statistical

significance - is oo longer tenable.

There may be some truth in this

light bank-related problems.

had been made.

points out.

• Negotiate on fees hut do not forget that the bank has to make a profit too. It makes sense to compare what your bank offers with the competition and use this in negotiations.

• Ultimately it may he worth changing banks hnt do not underestimate the inconvenience involved. Make sure the bank you would like to move to will be prepared to take on your account. Some managers are reluctant to take on refugees from their competitors on the grounds that they may be troublemakers.

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 If you have bad news to impart make sure you have o plan prepared for putting the problems

• Keep a close eye on the terms and renewal dates of bank facilities so you can plan your negotia-ting position ahead of the next

 Make sure you have a facility letter from your bank to cover any financing you have arranged. Check its contents to see that it matches what you bave agreed verbally. • If you are required to provide

personal guarantees make sure the amount corresponds to the sum borrowed and that there is a time limit. Do not sign unlimited, open-ended guarantees, it will restrict your freedom of manoenvre. Once a guarantee expires make sure the fact is recorded at Companies Rouse or at the Land Registry or you may have prob-lems raising loans in future.

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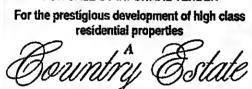
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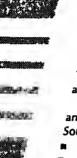
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he skin seems superficially to be an easy target for the pharmaceutical industry. It is more accessible than any other part of the body, and drugs applied to the skin are relatively free of systemic side-effects.

Yet people suffering from skin disorders, estimated to make up 15 per cent of the population at any given time, bave been poorly served hy medical and pharmaceutical research. Few safe and effective treatments exist for conditions such as psoriasis, eczema, dermatitis or acne, which - although rarely lifethreatening - can make a misery of patients' lives for years on end.

The outlook for the next few years is more encouraging, however. Several large pharmaceutical groups are taking a renewed interest in dermatology. And many emerging drug companies see topi-cal applications — directly to affected areas of the skin — as the fastest route to the market, because the Food and Drug Administration is less concerned about side-effects than for drugs that have to be swal-

lowed or injected, Skin disorders as a whole make up a valuable prescription drug market worth about \$6.5hn (£4.3hn) in 1992 and growing at more than 10 per cent a year. But the dermatol-ogy market is highly fragmented npared with other pharmaceut cal fields, with no single drug selling more than \$200m a year.

Among the international pharmaceutical groups, Johnson & Johnson and Schering Plough of the US. Roche of Switzerland and Schering AG of Germany are current leaders in the dermatology market. But per-haps the most ambittous is Sandoz of Switzerland. A relatively small player now, it has dermatology sales of no more than \$170m a year. Sandoz has designated the skin as a priority business for marketing, research and development, "Derma-

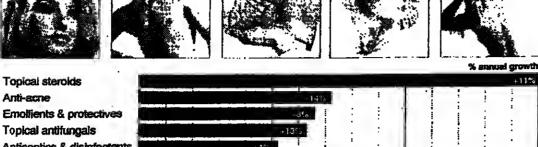
tology is going to provide the most growth of any area for Sandoz over the next five years," says David Pearson, who is responsible for international dermatology marketing at the company's Basle headquarters. If Sandoz achieves its targets, it will become the world's largest producer of skin drugs within five years.

The company's decision to focus on the skin was based partly on its expertise in immunology, because psoriasis and some forms of dermatitis are linked to dysfunction of the ımmune system. Sandimmun (cyclosporin A), the immune suppressant used to prevent rejection of organ transplants, is one of the few drugs capable of clearing up severe psoriasis. But it is a powerful systemic medicine with potentially dangerous side-effects. Sandoz scientists in Switzerland and Austria are now working to develop new cyclosporin Continuing a series on drug discoveries, Clive Cookson

looks at the latest developments in dermatology

Getting under the skin

World sales of skin drugs 1992





derivatives that patients can apply directly to the skin.

Psoriasis, which affects about 2 per cent of the population, results from excessive growth of skin cells combined with inflammation. Like other skin disorders, it can take several forms and in severe cases its lesions can be life-threatening. Conventional psoriasis treatments, including coal tar ointments, steroid creams and ultraviolet radiation, may bring temporary relief but do not tackle the underlying causes.

Although the current market for specific psoriasis drugs is small -an estimated \$130m last year - psoriasis is a favourite target of dermatological research. While cyclosporin A is a promising treatment for severe cases, dermatologists are reporting encouraging results among patients with mild to moderate psoriasis from Dovonex (calcipotriol), a new derivative of vitamin D introduced in Europe two years ago hy Leo Pharmaceutical of Denmark.

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riasis without toxic side-effects. Derivatives of vitamin A, known as retinoids, can help to clear up another distressing skin disorder, acne, which is caused hy over-

Skin disorders make up a prescription drug market worth an estimated \$6.5bn in 1992 and growing at more than 10 per cent a year

production of oil hy sebaceous glands in the skin. Mild acne – the spots that appear temporarily in most teenagers - is often treated hy applying lotions and creams containing henzoyl peroxide to dry the skin or antibiotics to kill the bacteria that can exacerbate the condition. But retinoids are the only effective treatment for severe acne, which can lead to deep cysts and permanent scarring. The most powerful retinoid is Roaccutane, developed by Roche. It is taken by mouth and the side-effects, including hirth defects in pregnant women, are

UK its use is restricted to hospitals, Smaller companies developing novel drugs for skin disorders Sphinx Pharmaceuticals of

potentially so dangerous that in the

North Carolina, It has a topical psoriasis drug, Kynac, in clinical trials. It is designed to inhibit a family of enzymes, known collectively as protein kinase C, which act as molecular messeogers for skin cell proliferation and inflammation.

 Agouron of California which has a psoriasis drug. AG-85, which inactivates a different enzyme, thymidylate synthase, which is involved in cell proliferation. Its first clinical test last year gave equivocal results; the patients' psoriasls improved whether they were

treated with AG-85 or inactive liquid - an illustration of the way some skin disorders are affected hy psychological factors and may tend to respond temporarily to any sort of attention. Agouron will carry out a second trial this year with reformulated AG-85.

Genta of California. It is develop-

ing genetic "anti-sense" drugs de-signed to treat skin disease at the point of origin by blocking the genes that control proliferation and inflammation. These are not ready for clinical testing. Meanwhile, to build up sales, Genta has filed new drug applications for five conventional dermatological compounds.

Scotia Pharmaceuticals of the UK which is working on two separate approaches: fatty acids and lithium salts. Its first prescription drugs, Epogam (based on evening primrose oil) for atopic eczema and Efalith (lithium succinate) for seborrboeic dermatitis, are licensed to Searle for sales and marketing.

Conventional pharmaceuticals are not the only approach to dermatol ogy. Last summer, a group of London dermatologists reported in the Lancet a clinical trial of traditional Chinese berbal remedies - long used to improve skin conditions. They found that drinking a tea made from 10 dried Chinese herbs significantly improved the symp-toms of patients with atopic eczema. "An understanding of the pharmacological basis for the beneficial effect is limited," they said.

Also, light-based treatments for severe skin disease may be due for a renaissance. Ultraviolet rays have been used for decades in conjunction with photosensitising chemicals but their effect is unpredictable and many patients fear the side-effects of irradiation. Quadra Logic of Vancouver, Canada, is now beginning clinical trials of a refined technique, called photodynamic therapy: psoriasis patients are injected with a light-activated drug, BPD, and exposed not to ultraviolet but to red light from a medical laser. The pharmaceutical outlook is

promising for patients with skin disease serious enough to be referred to a bospital dermatologist. Safe drugs to provide relief from the milder forms of eczema and dermatitis - which can still drive patients into a frenzy of itching are a more distant prospect.

John Berthe-Jones of Leicester Royal infirmary says the greatest unmet need in dermatology is a treatment for pruritus (the medical term for itching). Anti-histamines provide only slight relief. "Itch is a symptom that completely defies us," he says. "Above all, we need a drug that would block its transmission from skin to the hrain."

The series continues next month by looking of advances in vaccines.

Beauty business fights flaws

By Victoria Griffith

eauty-conscious consumers have taken to skin moisturisers in a hig way, as companies have widened their products' appeal by using an increasingly advanced range of ingredients. But as well as boosting saies, this has also led to sharper scrutiny from health regulators.

The facial moisturiser industry produced \$2.3bn (£1.5bn) of sales in the US in 1992 - up by 10 per cent on the previons year, according to Diana Temple, a cosmetics analyst with Salomon Brothers in New York, while new product introductions rose by 14 per cent. This month, Pond's hy Unilever

lannches a new line of complex molsturising products, priced to sell at betweeo \$5 and \$12, well below the high prices charged for other products in this market. Avon is introducing Anew, a low-priced moisturiser with collagen acid, while L'Oreal's Plenitude, the first mass-market product to contain sophisticated ingredients like liposomes, has been expanding its market share. The US Food and Drug Administration is far from

pleased about the direction the cosmetics companies are taking. It will soon examine the new products for possible regulation. But its attention has been temporarily distracted by the controversy over Retin-A. which some physicians claim can completely offset damage caused by overexposure to the sun. In one case, the FDA chastised several physicians for allegedly recommending the use of Retin-A. approved only for use on acne, as a wrinkle eradicator. Ortho, the Johnson & Johnson

subsidiary making Retin-A. responded by repackaging the product under a new name, Renova, and filing an application with the FDA to use the cream as an anti-ageing skin drug. But many of the moisturisers on the market use a compound related to Retin-A in their own products. The active ingredient in both Retin-A and Renova is tretingin. a synthetic analogue of vitamin A, developed so it can be absorbed through the skin. Many products use another vitamin A derivative

called vitamin A palmitate.

The cosmetics companies insist that consumers need the innovative new products for a long-lasting moisturising effect. Old-fashioned moisturisers simply bind water to the skin's surface," said Daniel Maes, vice-president in charge of research and development for Estée Lauder.

()

Still, because of concern over possible regulations, cosmetics companies are searching for alternatives to vitamin A derivatives. Estée Lander has introduced cerebrozides into its products. "The superficial layer of the skin loses its ability to retain water with age," said Maes The cerebrozides are a complex lipid found in plants in China and they restore this function."

Besides the side-effects of vitamin A derivatives, the FDA is concerned about products that penetrate deeply. These products often depend on liposomes and niosomes, which coat the moisturisers' active ingredients to carry them deeper into the skin. Many companies are struggling to find moisturisers that have an impact similar to the deep-penetrating products while affecting only the skin's

most superficial layers. ft will not be easy to find a substitute for the vitamin A derivatives. Lipids help restore the skin's capacity to create its own moisture, but vitamin A derivatives perform a different function. As skin ages, the cells in the skin start to experience abnormal activity, growing too fast or too slow. Vitamin A palmitate slows the activity of hyperactive cells and boosts the activity of under-active cells.

Like the proponents of Retin-A, the makers of products using vitamin A palmitate claim the moisturisers can eradicate superficial lines. "As the skin cells stabilise and retain

disappear." Yet because of what the industry claims are striking results, mannfacturers are unlikely to relinquish the ingredient for some time. The market's growth prospects are simply too tempting.

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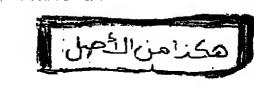
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FINANCIAL TIMES

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Perrier workforce loses merger plea



Attempts by the Judicial Review Perrier workforce to challenge the European Commissioo's decision allowing the Nestlé/Perrier EUROPEAN fered a setback folmerger have suflowing refusal hy the president of the

Court of First Instance, Mr Cruz Vilaca, of their application for interim measures. This was the first Court ruling involving the 1989 EC merger regulation.

Following clearance of the merger by the Commission last summer the Perrier workforce brought an application for judicial review. Pending the hearing of their application they also requested suspension of the Commission's authorisation decision and asked the CFI to order the Commission to require Nestlé not to reduce employment in the Perrier group nor to comply with the undertakings given to the Commission which included the sale of Perrier subsidiaries.

The CFI president dismissed the application for interim measures on the grounds that the applicants had not proved sufficient urgency to justify intervention by the Court.

The main reason for urgency relied on by the applicants was the threatened redundancy of 740 employees during 1993 and the like-lihood of further redundancies following the sale of subsidiaries to a competitor, BSN, France's largest foods group. They claimed the absence of a right of reinstatement for unfair dismissal in French law meant that redundancy constituted serious and irreparable harm.

In reaching his decision the president took into account the need to balance the conflicting interests of the employees' representatives with those of Nestle.

The president pointed out that, in fact, redundancies would arise only if the more favourable methods proposed by Nestlé for reducing employees failed.

Moreover, there should be no risk of further redundancies as a direct result of the Commission's authorisation decision itself or the conditions requiring the sale of subsid-

First, the merger regulation expressly states it has no impact on the collective rights of employees. Second, the 1977 Acquired Rights Directive precludes redundancy on the transfer of a business, including a transfer resulting from a merger authorisation decision.

However, the president rejected the Commission's claim that the main judiclal review applicatioo was inadmissible.

The applicants' main grounds for asking the court to annul the Commission's decision include alleged infringements of the procedural rights of recognised employee representatives of the companies coo-cerned by a merger and the failure of the Commission to respect fundamental social rights recognised hy Community law, including the social charter

They also challeoged the decision oo the grounds of failure to maintain effective competition in France, and the introduction of the concept of "duopoly" or "oligopolistic domi-nance" without legal basis into the merger regulation.

Although the CFI president did not comment on the main grounds for judicial review, his ruling cootained observations oo the policy objectives of the merger regulation indicating the likely position which the CFI could adopt in the context of the protection of employee intarests in merger cases.

He accepts the Commission policy implemented during the first two years of EC merger control that competition considerations are predominant in the assessment process. But, he notes that in considering the effect of mergers on the structure of competition in the Community, the Commission must place its appraisal within the general framework of the achievement of the fundamental objectives referred to in Article 2 of the EEC Treaty, including that of strengthening the Community's economic and social cohesion.

According to the president, the Commission also acknowledges the correctness of this approach. More interestingly, the Commission is reported as saying that taking other effects of a merger into account would hinder achievement of one of the general Treaty objectives and notably the development of employ-

The Commission claims that neither the Perrier takeover nor the aubsequent sales of aubsidiaries could harm any of these objectives.

Case T-96/92 R, Comité Central d'Enterprise de la Société Générale des Grandes Sources et al v Commission, Order of President of Court of First Instance, 15 December 1992.

BRICK COURT CHAMBERS,

he endowment of Brussels two years ago with power to vet large-scale Community mergers has been an unexpected success for Europeao husiness. The Merger Task Force, the European Commission's merg-ers watchdog, has shown itself capable of meeting the tight procedural deadlines set by the merger regulation and a willingness to reach an accommodation with husi-nesses where possible. This flexibility is reflected in the

statistics. Of the 136 notifications dealt with hy the task force during its first two years, 103 were cleared within one month and only 10 went to a full-scale, four-mooth, phase two investigation. Of those, two were cleared, one withdrawn, and seven cleared after modification.

Only one merger – the bld hy France's Aérospatiale and Italy's Alenia for Canadian aircraft manufacturer De Havilland – has been hlocked following a phase two inveatigation, and that largely because of the fierce opposition to it put up by Sir Leon Brittan, then mpetition commissioner It took 17 years of negotiation and

much political compromise to get the merger regulation adopted. Deciding which cases should be dealt with by Brussels and which should be left to the national competition authorities proved one of

the bigger sticking points. Finally,

it was agreed jurisdiction should be determined by refsreoce to the turnover of the companies involved. If the combined worldwide turnover of the companies was more than Ecu5bn and the aggregate EC turnover of each of at least two companies was Ecu250m or more, then the case would go to Brussels.

Mergers below these thresholds

would remain the exclusive jurisdiction of national authorities. This represented a victory for Germany and Britain, the two EC countries with the atrongest national competition bodies and the most reluctant to cede power in this area to Brussels. Other member states argued the thresholds should have been set lower, bringing more

mergers under Brussels' control. As a compromise It was agreed thresholds would be reviewed by the end of 1993 with the expectation that they would come down if Brussels proved Itself capable of handling a predicted 50 to 60 mergers a year. This year promises a fierce debate on the issue between the member states and the Commission.

Has the regulation been a success? Mr Michael Reynolds, bead of City solicitors Allen & Overy's Brussels' office, says it is possible to criticise individual decisions and there has been some inconsistency, for example, in defining relevant product and geographic markets. There has also been some concern

Marriages made in Brussels

Robert Rice on why EC merger rules have found favour with industry





Commissioners past and present: with Karel Van Miert (left) at its head the regime is likely to become more relaxed than in the days of Sir Leon Brittan

over lack of transparency. Why for example was the De Havilland merger blocked while Nestle's bid for Perrier was cleared subject to certain undertakings? There is no doubt, however, that deadlines have been met and the regulation has

been a procedural success, he says, So will the thresholds come down in 1993? It seems industry would like them to. If a case is borderline it is now quite common for busis to ask their lawyers to structure the deal so as to bring it above the thresbolds, Mr Reynolds says.

What industry likes about the merger regulation is the certainty it affords - the opportunity to obtain clearance for a deal after the initial one month appraisal period, he says. This certainty is not afforded by national competition authorities. Professor Barry Hawk, bead of the Brusseis office of US law firm

Skadden Arps Slate Meagher & Flom says industry is also beartened by the task force's relaxed approach, reflected in the statistics. If Sir Leon bad remained in charge of competition, a toughening of the regime could bave been expected particularly after the De Havilland case. Bot with a new competitioo commissioner, Mr Karel van Miert, in charge and a new director of the task force, Mr Phillip Lowe, taking over in April, neither of whom bas any background in competition regulation, the regime is, if anything, likely to become even more relaxed, he says.

Mr Van Miert bas already stated that strict competition principles will not be the sole guidelines for EC antitrust decisions over the next two years and that be wants to model EC policy more on the Japanese approach taking into account industrial, environmental, regional and social issues. If the net result is a further relaxation of the Brussels merger regime, industry may lobby even harder for lower thresbolds.

Sir Sydney Lipworth, outgoing chairman of the UK's Monopolies and Mergers Commission, counsels caution, bowever. What industry likes so much about the Brussels regime is the possibility of quick clearance of a merger. But EC mergers and acquisitions activity bas been at a low ebh over the past two

years. If M&A activity were to pick | LEGAL BRIEFS up and at the same time the thresholds came down increasing the oumber of mergers dealt with hy Brussels, deadlines might begin to slip and the procedural certainty

could be threatened, be says.

Whether the thresholds come down will ultimately be determined hy the politicians. A year ago wheo Sir Leon was still in charge and the subsidiarity debate had yet to come to the fore a lowering of the thresholds looked on the cards. With Mr Van Miert at the helm and the political climate shifting against the ceding of more power to the centre, a reduction in the thresbolds is less

If the Commission is set on reduc-ing the thresholds there will be a price to pay, Professor Hawk says. Germany and Britain, and to a lesser extent France, are likely to oppose any reduction. Germacy's price for agreeing to a change would be the establishment of an EC mergers watchdog independent of the Commission or cooceivably an independent EC cartel office ed on its own Bundeskartellamt

It is not clear whether the UK would support Germany in this demand. Although not purporting to speak for the UK government, Sir Sydney has made it clear on a oumber of occasioos that while be thinks the body responsible for investigating mergers should be as independent as possible be would stop short of the single all-pervading independent competition body sought by Germany.

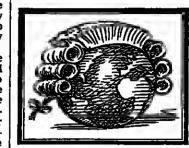
Member states might also be pre-pared to agree to the thresholds coming down in return for a number of amendments to the regulation itself, Mr Reynolds says.

A strengthening of the exception which allows mergers above the threshold to he referred back to member states on the grounds that they affect a distinct national or regional market would be welcomed by Germany and the UK. Three requests from Germany in the Varta/Bosch; Mannesman/Hoesch; and Alcatel/AEG Kabel cases were all turned down. Only one merger Steetley/Tarmac has been referred back under this exception and that was largely because a related bid by Redland was already being investigated by the UK's MMC.

Most member states would also welcome a change in the EC's policy on negotiating settlements which would allow the Commission to accept behavioural undertakings in addition to structural changes.

And if Mr Van Miert is deter-

mined to extend his policy of considering factors other than pure competition, several member states would like to see those factors written into the regulation.A significant amount of political borse-trading lies ahead:



Defending the mark of a true Champagne

hampagne producers have never beeo slow to to protect their appellation against those who attempt to trade on its reputation.

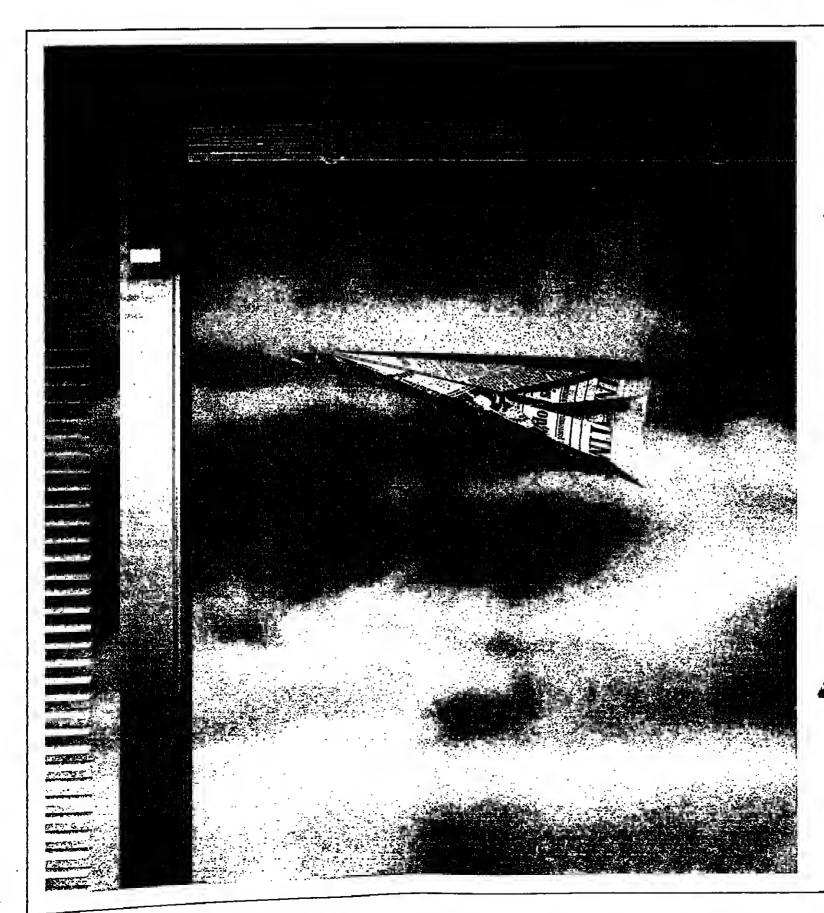
The latest in a loog line of legal cases to be heard by the English High Court started yesterday. It concerns "Elderflower Champagne", a non-alcoholic cordial with added carbooated water, sold in greeo, Champagne-shaped bottles with wired mushroom corks, hy Thorncroft Vineyard. At issue will he whether the consumer is likely to be misled into believing this

is real Champagne. While Thorncroft will argue that no one could possibly make that mistake, the Champagne producers believe they have ample evideoce to show that people will be misled. Although its reputation is well known, few people know what Champagne really is - a unique sparkling wine produced only in the Champagne region of France

they say. There is also s principle st stake. If Thorncroft is allowed to market its prodoct unchallenged, others will follow and pretty sooo the mark, Champagne, will have been destroyed, passing into the vernacular like other well-known marks before lt, snch as Gramophone, Hoover, Go-kart and Aspirin. The hearing is expected to last five days.

Control Securities

n our issue of December 22, we reported that Mr Nazmn L Virani, currectly being prosecoted in connection with the Bank of Credit and Commerce International investigation, was the head of Control Securities plc. Control Securities has asked us to point ont that be is no longer with the company and is oot being prosecuted in connection with his former role there.



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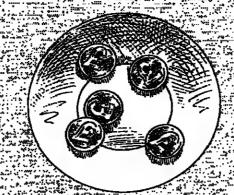
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On Saturday January 9 the Financial Times announced the introduction of the FT Lunch for a Piver with

over 130 restaurants participating nationwide.

On weekdays from Monday January 18 until Priday January 29 factures you are being offered an "RT. Lunch for a Fiver" menu at participating restaurants. These will be listed daily, in the Financial Tunes and published in full next Saurday January 23. The "FT Lunch for a Fiver" menu is 100 two courses (although some restaurants are offering three). Drinks, coffee and service are estra

RESTAURANTS

Sonny's, 94 Church Road, LONDON SW13 Sloans, 27-29 Chad Square, Hawthome Road, Edgbaston,

Markwicks, 43 Com Street, BRISTOL Brasserie Forty Four, 44 The Calls, LEEDS Armadillo, 20-22 Mathew Street, LIVERPOOL Normandie, Elburt Lane, Birtle, MANCHESTER Adlards, 79 Upper St. Giles Street, NORWICH Sonny's, 3 Carlton Street, Hockley, NOTTINGHAM The Marsh Goose, High Street, MORETON-IN-MARSH,

Le Marché Noir, 2-4 Eyre Place, EDINBURGH The Vintners Rooms, 87 Giles Street, Leith, EDINBURGH The Ubiquitous Chip, 12 Ashton Lane, GLASGOW La Belle Epoque, 61-63 Dublin Road, BELFAST

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Tel: 031 555 6178 Tomorrow's listing will include London restaurants

Control of the second We are also running a competition to enter a free prize draw in which you could win a weekend for two at Gidleigh Park, Chagford, Devon.

Every weekday, from 11th-29th January, the Financial Times poses and Figure for a Fiver. question. Answer any 10 of the 15 questions (Clue: The answer is the name of a restaurant given in that day's listing), complete an entry form which will be published every day between 25th 29th January, and send them: to us at the address given below. Your comments on your favourite "FT Lunch for a Fiver" mena will also be A STATE OF S

QUESTION 7: Where to advance on board?

FINANCIAL TIMES

ANSWER 7:_____

Answer Ihis question, together with 9 others published during the competition period, and send Ihem, together with a completed entry form to "FT Lunch for a Fiver", Number One Southwark Bridge, London SE1 9HL, to arrive no later than Friday February 12 1993. The prize draw will be made on Monday February 15 1993. The sender of the first correct entry drawn after the closing date, from all the entries received, will be declared the winner. Full details of the competition and previous questions are available from the Marketing Department of the Financial Times at the address given above, or on Tel: 071 873 3670.

Sir Robert Clark to chair bank boutique

At 69, Sir Robert Clark, one of Britain's best-connected merchant bankers, has finally got an investment bank with his own name on it. He has been made chairman of Rauscher Pierce & Clark, a London investment banking boutique, heigg established by the Dallas-based firm, Rauscher

Pierce Refnes. The new boutique plans to marry Rauscher Pierce Refnes' strengths as the leading investment hank in the US South West with the contacts of a group of European investment bankers led by Sir Robert, who rose to prominence as a merchant banker during his chairmanship of Hill Samuel from 1974 until it was taken over by the TSB Group in 1987. A former director of the

■ Seton Healthcare Group, the

chairman of TSB until March 1991, Sir Robert is currently chairman of Mirror Group Newspapers, vice chairman of Smithkline Beecham, and has a string of other directorships including Shell Transport and

Bank of England and vice

David Quint, a 42-year-old lawyer and managing director of the new firm, says he has known Sir Robert for ten years having been introduced to him hy former Hoover boss Sir Peter Boon, a fellow director of Belden & Biake, a small US oil company.

Sir Robert and Quint visited three US regional firms before linking up with Rauscher Pierce which has 25 offices around the US South West. The US firm will have 25 per



cent of the equity and Sir Robert will have "almost the

Sir Rohert said yesterday that it was nice to work "for

Defence Systems, has been

appointed a member of the

CAA'a airworthiness

expected to devote about a third of his time to the new venture. The advantage for the US parent is that its new European outpost - it will also have a Zurich office - needs little capital and will have low overheads. "It only takes a cou-ple of projects to make quite a difference," says Quint.

Sir Robert has recruited a couple of "old friends" to his board – Richard Butler, a for-mer president of Paine Webber International, and James Ladner, a Zurich-based investor and former executive vice presideot of Coutts' Swiss bank Rauscher Pierce will be represented on the board by David Smith, chief executive, and Robert Brown, head of corporate finance.

■ Geoffrey Marsh, who worked

at the Museum of London and

as museum development

officer for area museum

service for south eastern

Bodies politic

rapidly expanding medical products and sports equipment company, has appointed Roger Humphreys as group financial director from March 1. Humphreys, 31, is currectly the Blackhnrn-based gronp's financial controller, having joined just over two years ago from KPMG Peat Marwick. Setoo's auditors. Roger Gould, who previously held the position of financial director, coctinges as depoty chairman and company secretary. Seton's market value has quadrupled to more than £95m since it came to the market in 1990. The group's chairman is Norman Stoller, son of the founder, who started making tubular bandages in 1952.

■ Shandwick, the international public relations agency whose fortunes have recently improved slightly after a turbulent time on the stock market, has appointed Larry Kaplan, 39, to its board. Kaplan, a US citizen and pos-

sessor of an MBA, has been with Shandwick since 1988 following six years with Primerica. Before that he had six years at Reed International.

His first post with Shandwick's north American operations was as controller, thereafter being promoted to chief financial officer in 1990 and regional director in 1992. Kaplan's membership of the board is intended to strengthen internal communications in North America – where Shandwick gets more than 50 per cent of its revenues

■ Derek Prentice, assistant director of the Consumers' Association, has been appointed oresident of BEUC. the European Bureau of Consumer Unions. ■Sir Leon Brittan has been appointed Chancellor of the UNIVERSITY OF TEESSIDE. ■ John Armitt, chairman of Laing Civil Engineering and John Laing international, has been appointed president of the EXPORT GROUP FOR THE CONSTRUCTIONAL INDUSTRIES.

■ Nigel Hughes, director of technology for Smiths Industries Aerospace and

requirements board. Tim Sheppard, md of Siemens Measurements, has been appointed chairman of the BEAMA METERING ASSOCIATION. ■ David Harrup, md of ABS Pumps, has been appointed chairman of the BRITISH PUMP MANUFACTURERS' ASSOCIATION. Adrian White, chairman of Biwater, has been appointed chairman of BRITISH WATER INDUSTRIES GROUP. Ian Wright has been appointed director of training at the CONSTRUCTION INDUSTRY TRAINING BOARD on the retirement of Doug Shaw.

Pat Dyer (left), managing director - gases at BOC, has been appointed deputy chairman of the BOC group. He will deputise for Patrick Rich, chairman and chief executive. in a wide range of roles, allowing him to concentrate on strategy and planning. The group is also reorganis

ing its divisional structure in an effort to Integrate its regional husinesses more effectively and increase the apread of its technology.

Chung Kong Chow, known in the business simply as

"CK", has been appointed to the new position of group operating officer and chief executive of BOC gases. He was previously director North Pacific gases.

England, has been appointed project director for the IMPERIAL WAR MUSEUM'S new development at Hartlepool. ■ David Tidmarsh, chief executive of Applied Holographics, has been appointed president of the INTERNATIONAL HOLOGRAM MANUFACTURERS ASSOCIATION. ■ Sir Denys Henderson. chairman of ICL, has been appointed chancellor of BATH UNIVERSITY. Barry Snpple, master of St Catharine's College, Cambridge, has been appointed director of The LEVERHULMS TRUST on the retirement of Sir Rex Richards.

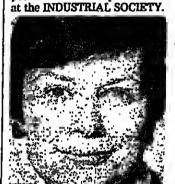
Judith Anthony (below),

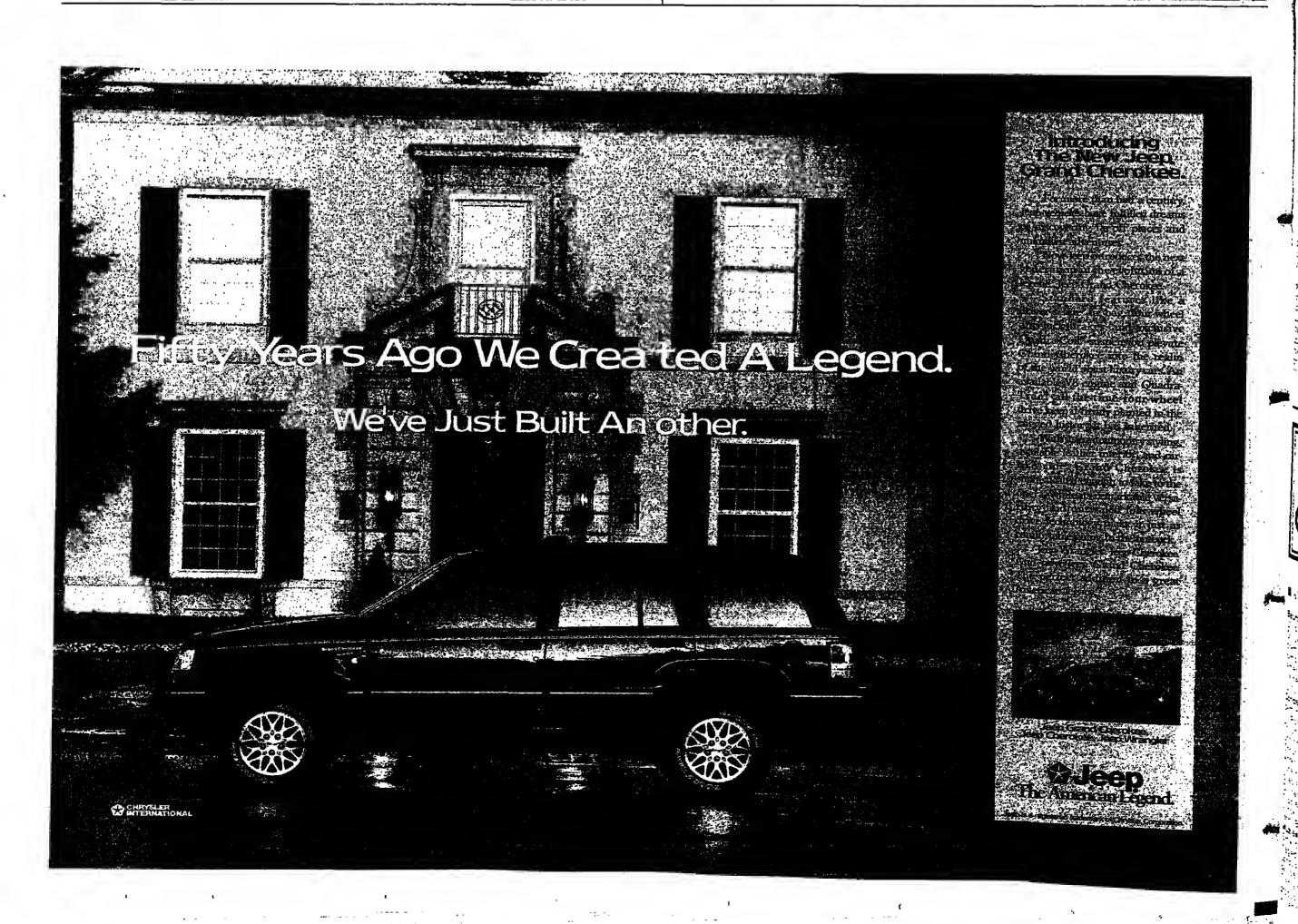
planning officer, has been

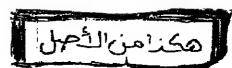
Hertsmere Borough Council's

appointed to the newly created

post of director of operations







A Roman evening

The Song of Tales

Some 20 years ago, almost et the ontset of his career, the Neapolitan musicologist-composer-prodocer Roberto De Simone created a spectacle entitled La gatta Cenerentola (The cat Cinderella), based largely oo Lo cunto delli cunti (The Tale of Tales) by Giambattista Basile, the 17th century collection of fairy-tales that has inspired many subsequent works, among them Prokofiev'a Love of Three Oranges. With liberal admixtures of mime, dance and traditional music (plus some music of his own) De Simone created a piece of stage magic, snbsequently revived several times, and now a part of Italian theatrical history.

The recent announcement of a new De Simone full evening of Neapolitan song and story naturally aroused keen expectation among his fans, especially since the title II canto de li cunti (The Song of Tales) again recalled Basile, end suggested that La gatta Cenerentola would have a successor. But the wily producer both disappointed and rewarded his admirers. The earlier piece was a kaleldoscope of visual invention and hrilliant colour; the new work is sober to the point of starkness - the performers are all dressed in hlack - and movement is reduced to the essential minimam. But within these narrow. self-imposed confines, Il canto de li canti proved to be as varied and thrilling as anyone could wish.

It began with Baslle - a story of an Ogre and his garden - narrated, chanted and sung hy seven singers, with snhtle, deliherately scant accompaniment, then ranged through other traditionel songs and stories to some versions of Don Giovanni, of which the most exhilareting saw Pulcinella standing in for Leporello, and then a hilarious hit of 18th century farce -L'Opera di Zeza - with enchanting pastiche music hy De Simone, and with the superb Neapolitan ector Rino Marcelli, en travesti, as Zeza (before that, he had been a

magnificent Pulcinella). The second half featured more recent pleces: a staged Poem by the late comedian Toto, in which two dead men

e street-sweeper (again the unparalleled Marcelli) and an aristocrat (the suitably pompous Enzo Pierro) - come to wry conclusions about life and ath; some songs of Salvatore Di Giacomo, the 19th-century poet whose lyrics were seized npon by generations of composers; and finally a series of pleces by Raffaele Viviani. a somewhat underestimated turn of the century anthor whose hitter streak distinguishes him from other Neapolitan bumourists.

10.

The ontstanding quality of this production - apart from the unerring taste and interest of the selected material - was its coherence, its apparent spontaneity alnng with its impeccable organisation. In a sense there were no atars (even Marcelli worked in perfect synchrony with the others); and in another sense, the interpreters were all stars: a glittering constellation that, despite the almost hare stage and the funereal dress, lit up the Teatro Valle in Rome and. from there, should go on to shine in many other theatres.

The gentle manipulator of space is at it again

William Packer reviews Tim Head

lt is easier to describe the work that Tim Head is currently exhibiting than either to justify or to coodemn it. The first thing to strike us, even before we register his latest group of 15 canvases that occupies the huge lower gallery of the Whitechapel, is the space itself. We enter a room transformed, its walls now a light and uniform sky-blue, its floor covered with green plastic turf. Head, the geotle manipulator of space, the teasing confounder of familiarity and expectation, is at It again.

We need not go so far as his apologist, Marco Livingstone, who, in the catalogue essay, compares the experience with that of being placed "In the perfect stillness of an eternal heaveo hy Fra Angelico", to take the point. There is no deception: the means are obvious. Yet this great space, even as we eoter and recognise it, is not quite the Whitechapel we thought we knew. It is bigger somehow, higher, more open and airy, yet, at the same time, oddly more complete and enclosed

Here hang these large canvases, 13 to the set and two more hors serie, with their immaculate surfaces and their self-coosciously hland and enigmatic images. They are clearly untouched by hand, but the manner of their making is not readily apparent. Only the catalogue can tell us that they have been printed out on an ink-jet press, regulated by computer, the images amplified

from collage studies. It is at once frustrating and revealing that Head oever shows such preparatory material.

What are we to make of these black, acreen-like images, so geotly curved and subtly speckled? Agaio, only the catalogue will tell us that they derive from "the kinds of shapes used in packaging and presentation . . . Intrigued that such ahapes look comfortingly familiar but also odd in their synthetic character, he bullt up a collection of them in the form of manufactured objects, lehels and printed matter, sometimes drawing the ontlina directly from such things as plastic containers, at other times photocopying them and redrawing them. Gradually refining the selection so as to eliminate the most immediately recognisable forms, be arrived at a group of hybrid generic motifs whose particular origins can no longer be identified."

Upstairs, past the slide documentary of past work, and the "Happy Eaters" in the Gallery's cefe, we come to another total appropriation of the particular space. The small New Gallery has been blacked out and ultra-violet lamps installed to pick out the myriad coloured stick-on labels scattered across the walls and ceiling. The trick is aimple enough and the effect engaging, as it were the darkest of uights and the stars bright in the firmament, "the

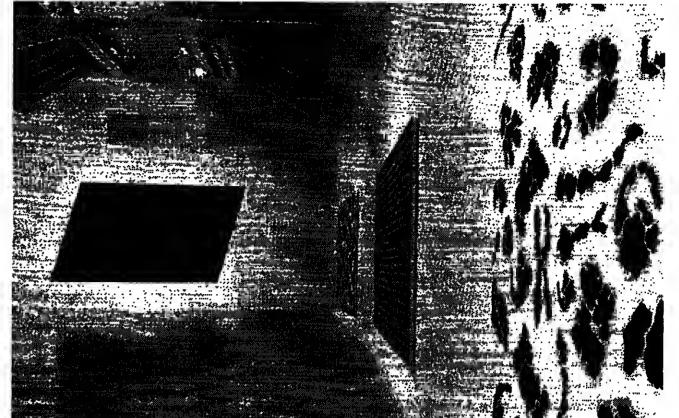
floor of heaven thick inlaid

with patinas of bright.." well, yellow and green and blue and red.

The Upper Gallery holds e election of Head's work of the 1980s, and it is here that his preoccupation with tha synthetic product and detritus the modero, processed, computer-driven world is made clear. Here are the large cibechrome photographs, produced to the highest gloss of contemporary advertising, that take still-life as their ironical, impassive subject. here is a heap of plastic toys, pastel-coloured skulls that are reelly rubbers, rockets, toy cars: and here a King Koog cityscape of transistor radios, computers, product packaging, vibrators as skyscrapers. Here too are tha effluent and

toxic lendscapes, the cihachromes of what might be pools or swamps filled with whatever we choose to throw away, plastic bottle, strip and filler, unhiodegradable to the last button. The charge is inevitable, but Head insists he is not an issues artist. "It's not straight-forward, and that's what makes it interesting, I am drawn to these things. Close up, they have a strange physical heauty that I find compelling...We can't pretend that this stuff doesn't exist."

Further along hangs the "Cow Mutatioo" painting, with which he woo the John Moores Prize of 1986. It is again e large canvas, but this time painted directly and simply in hlack



Tim Head's latest group of huge canvases is transforming the Whitechapel Gallery

and white, the image derived from the cow motif hy the aconymous designer of the particular milk carton. And by degrees the poor cow disintegrates in formal frenzy before our eyes. No issue there, The series continues with such works es Prime Cuts, Deep Freezs and Replicator, each apparently prettier and more disarming than the next in its sophisticated simplicity, whites and pinks, violets and blues, so redolent of late Matisse. It is only the imagery itself that

gives us pause, images of cells

and organisms, mutant as may be, beneath the microscope. The large green and hlack triptych at the end carries as its image a map of the world. its continents and oceans breaking down in a desperate confusion. As I say, no issue

Head, it seems to me, is very much an artist of his time and place, fortunate in the sympathetic interest his work has elicited over the years, by its very nature, in the eyes of those who command the public patronage of the British art

world. That of itself is no disqualification, and Head no less an artist, of considerable refinement and intalligence moreover, for the support he

My feeling is only that he is as yet not fully the artist he is capahla of heing simply because he has yet to trust himself fully to experience and intuitioo, rather than, as hitherto, to idea and process He is the victim still of his background, Newcastle in the 1960s, under the influence of Richard Hamilton, and the

heresy that persists so destructively to this day, that art, to be art, must be about ideas - as though ideas alone could make a Titian, a Rembrandt or a Matisse. Idea and attitude are but the straitjacket of the aestbete and the curatorial pedant, aod Head, I should bave thought, too clever not to escape,

Tim Head: Whitechapel Art Gallery, Whitechapel High Street E1, until Fehruary 28, then to Manchester City Art Galleries. Sponsored by Beck's

Theatre in New York

My Favorite Year

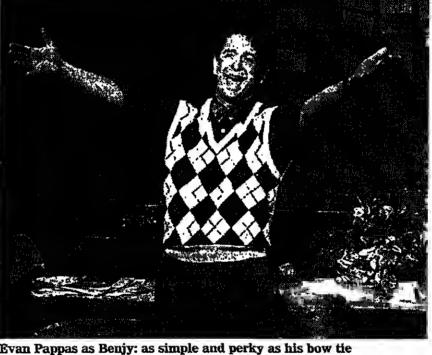
Remember 1954? I don't. I was not yet born during the beyday of live television comedy and matinee idols, the era in which My Favorite Ysar, the first Broadway musical of the New York season, is set.

But I can certainly remember the 1980s and early '90s, as musicals like Phontom of the Opera, Starlight Express, and Miss Saigon have upped the genre's technologi-cal ante at the expense of originality and humanity. These memories have a lot to do with why I found My Favorite Year, which recently played at the Vivian Beaumont Theatre in a Lincoln Center Theatre

production, so wonderfully refreshing. This new musical, based on the 1982 film of the same name starring Peter O'Toole, is far from perfect, but what it has in large supply, which so many of today's musicals lack, is charm. It is a good, self-contained, self-controlled little musical, and unlike last season's nostalgia vehicles - the Gershwin mishmash Crazy for You and Jerry Zaks' over the top revival of Guys and Dolls - it does not give the sense of material worked over and tarted up with

making millions in mind. The creative team - lyricist Lynn Ahrens, composer Stephen Flaherty and writer Joseph Dougherty - has filled out the movie's strong story line with a tight, clever book and tuneful songs that spring naturally from the action and dialogue. It is the tale of junior comedy writer Benjy Stone (Evan Pappas), who is assigned to keep his now-faded and drunken childhood movie idol Alan Swann (Tim Curry) off the sauce for the week Swann is the guest star

of "King Kaiser's Comedy Cavalcade". Given that set up, everything that you think will happen happens, with a decidedly 1990's personal-growth twist. Swann charms everyone, falls off the wagon and clambers on egain just in time to save tha day and make up with his long-neglected William Weaver | teenage daughter. Handling Swann mixes



Evan Pappas as Benjy: as simple and perky as his bow tie

up Benjy's life just enough so that he can really shine in straightening it out: he gets the girl: recognition for his yeoman writing duties; and in bonding with Swann works through some lingering bad feelings about his own father, who deserted his family when Benjy was young. It is all pretty predictable, but Ron Lagomarsino's production clips along with such verve and it is all played with such freshness that the lack of originality does not seem

Pappas' Benjy embodies what makes My Favorite Year charming, he is as simple and perky as his bow tie, with e soaring singing voice and some of the production's best numbers on which to show it off. Curry's Alan Swann is less successful; he is too ohviously playing at star quality, the essence of which is effortlessness. A shame, because when he lets down his guard, as in his climactic confrontation

with Benjy in "The Lights Come Up," his natural magnetism is estimable: he can swashbuckle through my musicals in his Musketeer getup anytime.

Andrea Martin, as the doubletaking second-banana comedy writer Alice Miller, gets the show's best laughs and its cleverest musical number: "Professional Showhusiness Comedy." Her performance is almost too excellent, though, because it points out what keeps My Favorite Year merely good instead of sublime. If only the whole production had her dead-on, period-

My Favorite Year saves the title tune, its most memorable, for last and is this good, old fashioned musical's final nod to the classic rules of showbusiness; it leaves 'em

Karen Fricker

Concerts/Richard Fairman

A weekend with Janáček

ln 1926 Janáček came to London for the most important overseas visit he undertook to promote his music. Unfortunately, his timing was not propitious: a couple of days before the main concert the country was plunged into a general strike, leaving no programmes, no transport and no newspapers to advertise the event or carry reports of it. He returned to Czechoslovakia disappointed and dejected.

The irony of this failed attempt to find a wider international audience is that since the 1950s it has been in this country, as much as any, that Janáček's music has come to prominence and popularity. The idea of a weekend devoted to a survey of his music, supported by films and talks, is one that no serious music-lover today would begin to question.

Over the past few years these BBC single-composer weekends at the Barbican have hecome e regular feature of Loodon's musical life. But what atarted out as an ambitious project to put before the public in-depth profiles of difficult 20th-century composers is now edging on to safer ground. Last year'a choice was Berg. for the first time not a living composer; and now we have in Janáček one who has a large corpus of his works - the operas - already accepted by the public et large.

As a result, the emphasis has changed. The importance of this weekend ahifted to the smaller pleces, although the larger orchestral scores -Toras Bulba and the Sinfonietta - were included to provide a rousing climax to each evening, as they most certainly did in these muscular and dynamic performances by a **BBC** Sympbony Orchestra in very fine fettle under Andrew

So central is the place occupied by the operas in Janaček's output that at least one had to be included. This was From the House of the Dead, arguably the most suited to concert performance. Again Davis goaded the music forwards with an

The very programme Janáček intended for 1926 was generously applauded

awesome grip on its vital energy, giving the lie to the theory that the opera does not have much narrative drive, but it was oot in the end an especially moving performance. A well-chosen cast, headed hy Jan Blinkhof as a Filka Morozov of raw power, Kim Begley e clarion Skuratov and Russell Smythe an impassioned Shlshkov, seemed locked in the opera'a claustrophobic ambience of prison violence. There was less of the tenderness that gives the opera lts humanity.

The "spark of God" which Janáček saw in each of these characters encapsulates one of the personal heliefs that is expressed throughout his music. With their out-of-the-or-

dinary plots, focusing upon the buman condition, the operas are able to develop those feel-ings in a way denied his other music. Of the rare works performed during this weekend, the "Danuhe" Symphony, receiving its first UK performance, roamed across folk territory and down modernist paths with no very convincing sense of direction. The Violin Coocerto, recently "realised" from the composer's sketches, remains a wildly inventive, but

unsatisfying torso. From other areas of his output there was a selection of the plano music, all fascinatingly individual, played by Radoslav Kvapil. The BBC Singers under Simon Joly vectured into the (mostly) unaccompanied choral music, including a drawn-out, but surprisingly sensual setting of the Lord's Prayer.
There is a lot of folk arrangements that might have been added, but at nearly an bour in length this sample was

Altogether, the most entertaining single programme of the weekend was the Suoday afternoon chamber music recital. From a searing account of the First String Quartet by the Lindsay Quartet, it contin-ued via a hrilliantly sparkling Mladi from London Winds to the Concertino, which picks up on the animal life so beloved by Janáček. This was, in fact. the very programme as he intended it for the Wigmore Hall on his visit in 1926 - oow generously applauded, a happy case of musical dues at last

INTERNATIONAL

■ AMSTERDAM

Seurs von Berlage Tnnight at 20.15, Jnhn Adems canducts Schoenberg Ensemble in warld premiere of his new chamber aymphony. Sun afternnnn: American progremme with Netherlands Chember Charus (6270 466) Concertgebouw Tnnight's

performance la a song recital hy Rnbert Hnll. Thmorrnw, Thurs, Fri and Sun afternoon: Alain Lomberd canducts Rayel Concertgehouw Orchestre in works by Faure, Rnussel and Tchaikovsky. Sat: Tnn Knopman directs Bach's Brandenhurg Concertos. Sun efternnnn: Shostaknvich programme with Minsk Philharmnnic Orchestra. Mon: Beeux Arts Trin (6718 345) Muziektheater Herrison Birtwistle's Punch and Judy. etaged hy Pierre Audi end conducted by Oliver Knussen, can be seen lomorrow, Sun, next Tues and Fri. Richard Jnnes' new productinn nf Der fliegende Holiander opens next Mon, with

a cast haaded by Wnifgeng Schoene and Kathryn Harriea (in repertory till Feh 21). Next Wed: first of four performances by Nederlands Oans Theeter (6255 455)

BRUSSELS Palais des Beaux Arts 20.00 Jene

Glover conducts Belglan Natinnel Orchestra in warks by Heydn, Mnzart and Spohr. Naxt Tues: Tnn Koopman directs Bech's Brendanburg Concartos. Jan 29: Alfred Brendel (507 8200) Mnnneie 20.00 Guidn Jnhannes Rumstedt conducts a revival nf Peter Musshach's productinn nf Frnm the Hnuse nf the Dead (repeeted tomprrow, Fri, Sun, next Tues, Wed and Fri). Sat Jeanne Piland snng recital (219 6341)

Espace Temps Tumnrrow, Thurs, Fri, Sat Anne Taresa De Kaersmeeker'a experimental dance group Roses in a progremme entitled Erts, music Beethnvan, Webern and Shnitke (264 avenue Ven Valxem, tel 219 6341)

■ CHICAGO

CHICAGO SYMPHONY Daniel Berenboim cnnducts Triatan und Isnide Act 2 tnnight at Orchestra Hall, with Slegfried Jeruealem end Waltraud Meier. Thurs, Fri, Sat and Sun: Barenbolm conducts works by Rimsky-Korsakov, Sihellus and Tchalkovsky, with vinlin solnist Maxim Vangerny (435 6666) CHICAGO LYRIC OPERA On Sat et Civic Opere House,

night of August Everding's productinn nf Das Rheingnid. with Jemes Mnrria, Ekkehard Wlaschiha, Bryn Tarfel and Tebena Trnyanos (furthar performances nn Jan 26, 29, Feb 1, 3, 8, 9, 12). Fri: last performence this season of La bnhema (332 2244)

Zubin Mehta conducts the firet

PARIS

DANCE/OPERA Pslais Garnier Paul Taylor Dance Compeny, daily till Sun. Jan 29: revival of Nureyev production of La Beyadère (4742 5371). Jan 26-Feh 6 et Théâtre da le Ville: Anne Taresa de Keersmaakar (4274 2277) Opéra Comique William Chriatie conducts Alfredo Arias' Alx

production of Les Indes Galantes, daily bil Jan 29 except Thurs. Mnn and next Thurs (4286 8883) Théâtre des Champs-Elysées Tonight: opening ni two-week season by St Petershurg National Opera with a staged performence of Tcheikovsky's Inlanta (also Jan 30, 31). Sat, Sun, next Fri: Prince Igor. Next Tues, Wed, Thurs: The Golden Cockerel (4720

Opère Bastilla Tunight, Fri and next Mnn: Elektra with Gwynath Jnnee (tonight) and Jenis Martin (Fri end Mon). Thmorrow and Sat: Un balln in maschera with Dennis O'Neill, Alein Fundary and Gabriela Benacknya (In repertory till Feb 20). Jan 30: revival nf Les Contes d'Hoffmann (4001 1616) CONCERTS

....

Châtelet Tnnight Guarnerl

Ouartet and Elisabeth Leonakaja pley chember music by Dvořák end Shostakovich. Next Mnn: Jnhn Poole conducts Groupe Vocal de France in world premiere of TakemItsu's Wind Hnrse (4028 2840) alle Pleyel Tnmnrrow, Fri end

Set: Semynn Bychkny conducts Orchastre de Paris and Chorue In works by Smetana, Beethoven and Janáček (4563 0796). Sun efternoon at La Rund-Puint, Théâtre Renaud-Berrault: Urs Schnelder conducts Orchestre Natinnal d'Ila da Franca in works by Mnzart end Tchaikovsky, with piano soloist Frank Braley (4296

Théâtre des Champs-Elysées Thurs: Charlas Outolt conducts Orchestre National de France in works by Dvnřák and Prokofiev, with celln snlniat Yn Yn Ma (4720 3637) JAZZ

1227)

Carmen Bradford, jazz vocalist and long-time associate of the Count Basle Orchestra, ia at Jazz Club Linnel Hempton daily till Sat. Jan 25-Feh 8: Strunz and Farah, Music from 22.30 (Hôtel Merfdien Parls Etoile, 81 Bnuleverd Gnuvinn St Cyr, tel 4068 3042)

THEATRE Desire under the Elms: Eugene O'Neill's 1924 play directed by Metthlas Langhoff. Opens Jan 28, runs till Feb 28 (Théâtre des Amandiere, 7 ave Pabin Picassn, Nanterre, 4614

7000) Übu: Alfred Jarry's irreverent black comedy which has become a classic of French theetre since its uprnerlous Paris premiere

in 1896. Daily axcept Mnn till Feb 7 (Olx-Huit Théatre, 16 rue Georgette Agutte, 18e, 4226 4747) Msrle Tudor: a transfer fram Lille of Daniel Mesquich's much-admired productinn of Victor Hugo. Daily except Mnn (Maison des erts, place Salvador Allenda, Creteil, 4980 1888)

■ WASHINGTON KENNEDY CENTER

Bill T Jnnes dence company can he seen tonight in the Terrace Theatre. Washington Opere presents La Cenerentola tonight, Thurs. Sat and Mon at Eisenhnwer Theater, plua Bizet'a Rostmpovich conducts Natinnal Symphony Orchestre In works by Makria, Sarasate. Szymennwski and Streuss nn Thurs, Fri snd Set in the Concert Hall (202-467 4600). Sun afternnn: Mikhail Pletnev conducts Russian Netional Orchesra in works by Tchalkovsky, Prokoflev and Scriabin (202-833 9800) WARNER THEATER Twyla Tharp and Mikheil Beryshnikov appeer togather et e Washington Performing Arts Society event next Mnn, Tues and Wed (202-833 9800) BALTIMORE SYMPHONY ORCHESTRA Oavid Zinman conducts works hy Cnpland end Beethnven on Thurs. Fri end Sat et Joseph Meyerhnff Symphnny Hall, with violin soloist Cho-Lleng Lin. Jan

28, 29, 30: Henry Mancini (410-783

Fab 21 (Weshington Stage Guild 202-529 2084) Free Will and Wanton Lust: Nicky Silver is author end

• The Alchemiat: Ben Jnnsnn's

17th century play nf greed end

deceptinn. Opens tomnrrow, till

director of thie comic drsma of disfunctional family reletionships. Till Feb 14 (Wcolly Memmath 202-393 3939)

 Rosencrentz end Guliderstein are Dead: Tnm Stoppard's pnpular pley. Tili Feh 14 (Studin Theater 202-332 3300)

It's the Truth, if you think it la: Pirendelin's mystery thriller directed by Liviu Ciulei. Till Feb 21 (Arena Staga 202-488 3300)

ZURICH

OPERA William Shimall alngs the title rnie in Don Ginvenni tomorrow at the Opernhaus. Thure end Sat: Nikolaus Hernnncourt conducts Coal fan tutte, with Lucia Papp. Fri and next Tues: Madama Butterfly with Ynko Wetanabe. Sun: hellet premiere with works by Arthur Saint-Léon, Nijinski. Bernd Bienert end Jorma Untinen (262 0909) CONCERTS

Tnnight, Thure and Fri in the Tnnhalle, Cleus Pater Finr conducts Tnnhalle Orchestre in works by Schumann and Brahme. with piann sninist Rudnif Buchhinder (206 3434). Tomorrow (repeeted on Thurs in Laueanne and Fri In Geneva): Esa-Pekka Salnnen conducts Swedish Radin Symphony Orchestre in warks by Lutoslawski, Mnzart and Bartók (261 1600)

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Sky News 1130-1200, 1730-1800 FT Media Europe

CNN 1030-1100, 1800-1830 World Busi-

0130-0200, 0530-0600 FT Media 1330-1400, 2030-2100 FT Business

to hope. Conciliatory comments hy both Chinese officials and Governor Chris Patten have raised expectations that a compromise over the colony's political development might be achievable.

The stock market - the most visible indicator of the colony's mood - in the first weeks of the year has recouped much of the losses it sustained in December, when China auggested it might not honour business contracts in the colony that span the transfer of

sovereignty in 1997. Mr Allen Lee, leader of Hong Kong's main conservative political grouping, who this morning will meet Mr John Major, Britain's prime minis-ter, says that the atmosphere in the colony has improved markedly since the beginning of the year. In today's talks, he will press Mr Major to amend Britain's proposala for increased democracy in the colony to make them more accept-

able to China. A more flexible stance by Mr Patten is one of the reasons for the colony's increased optimism. While maintaining his "principles" - that arrangements for the colony's 1994-95 elections have to be fair, open and acceptable to Hong Kong

he has indicated a greater willingness to consider alternatives to his plans. Last week he even reminded the members of the Legislative Council (LegCo), the colony's lawmaking body, that political reforms in the colony must be acceptable to China.

Beijing, Ior its part, has restrained its personal attacks on Mr Patten. It has also adopted a softer tone on political matters. Mr Lu Ping, Beijing's most senior official involved in Hong Kong affairs, has played down reports that China would set up a shadow government in Hong Kong if Mr Patten persisted with his

But there are also fears that what looks like accommodation on both sides is simply a change in tactics, designed to make their respective positions more appealing to an increaslngly divided population io

Hong Kong.
"What f am afraid of is the continuation of a atalemate a situation where Mr Patten introduces his package, pushes it through LegCo, and China decides to go its own way," says Mr Lee. "We cannot afford to live with four years of China not co-operating with the UK." This view, widely held in the colony, is most strongly felt in

Flexibility wins friends

Pressure is growing for a compromise on Hong Kong, writes Simon Holberton

the husiness community. Mr William Fung, managing director of Li & Fung, a trading company, says: "When the Basic Law [the mini-constitution, published in 1990 by Beijing, for Hong Kong after It reverts to Chinese sovereignty) came out, people thought it was a broadly acceptable basis for Hong Kong's future. Why, then, has the governor decided to upset the apple cart?"

Mr Chan Wing Kee, managing director of the Yangtzek-iang Garment Manufacturing Company and chairman of the Hong Kong Exporters Association, suggests the direction of Mr Patten's reforms is mis-

"The 1995 elections are not the most important thing facing us," he says. "What is Important is the first chief executive [CEO] of the Special Administrative Region and how he will work for Hong Kong and China. We still live in a place where who is in charge is more important than the system. If you push China into a corner, the CEO may not he the hest one for Hong

But the "system" is where the fate of Mr Patten'a proposals will be decided. LegCo will receive the governor's legisla-



Governor Chris Patten: his plans could be amended

Mr Allen Lee, or to the democrats, headed by Mr Martin Lee, who support Mr Patten's

The independents hope that LegCo can produce legislation that manages both to preserve Mr Patten's democratic intent a broadening of the franchise - and to go some way towards answering China's concerns. But achieving both will be difficult.

China has said that its objections to Mr Patten's proposals are less to do with democracy than with honouring past Sino-British agreements

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tion towards the end of next month, and it will then initiate the process of legislative review hy which it is ratified. The process promises to be

The legislation will be scrutinised clause hy clause and many amendments will be made; it will be messy and time consuming," says Mr Simon Ip, the legal profession's representative in LegCo.

Mr lp is one the increasingly influential group of independent LegCo members who do not belong either to the main conservative group, headed hy

China has always regarded Hong Kong's political development as an issue to be settled between itself and Britain. Beljing bas been dismissive of LegCo, referring to it as only a consultative body.

Moreover, in the current row China has said that its objections to Mr Patten's proposals are less to do with democracy than with honouring past Sino-British agreements. It charges Mr Patten with repudiating a 1990 understanding between the UK and China concerning the 1995 LegCo polis. Mr Patteo's proposals, it

says, violate the "spirit" of past agreements in two ways. According to one proposal, the "election committee", which will appoint 10 of the 60 LegCo members in 1995, would consist of 250 popularly elected local officials. In 1990 Britain gave provisional endorsement to a body that would have a narrower franchise.

His plans for nine new "functional" constituencies have also angered China. Tha 21 functional representatives in the current LegCo are drawn from and elected by specific professional and business groups, such as doctors and lawyers. Mr Patten's nine addi-tional seata would be filled from a broader constituency, encompassing all workers.

Many LegCo members hope that, If they can amend Mr Patten'a political reforms along the lines of the 1990 "agreements". China may acquiesce. In particular, support is gather-ing among iodependents to preserve the existing system of functional constituencies and to devise an election committee that is more consistent with the Basic Law. "We are all looking for a way out," says Mr Vincent Cheng, Hongkong Bank's chief economist and an appointed legislator.

There is also growing sup port for an amendment, first suggested by Mr Jimmy McGregor, an independent democrat, to limit electors to votiog for one member of LegCo. "If we can implement ooe man, one vote, then how the new functional constituencies are drawn up is a secood ary issue," says Mr Cheng.

He points out that, under the current system and the one proposed by Mr Patten, a single elector, who has a recognised profession and is a company owner, could have three votes: one for his professional affiliatioo, one through his membership of the chamber of commerce, and one for a geographical constitueocy.

Such an amendment, which would end Mr Patten's plans for nine democratically elected functional seats, could please Beijing. But whether the amendments that emerge from LegCo'a negotiations can provide the basis for a compromise between Mr Patten and China will be clear only after the talking stops.

For now, and oot before time, local politicians will be given a greater say in the process of transition to Chinese rule and the political system which will follow. Beijing may find it harder to reject their judgments than those of the final British governor.

Joe Rogaly

The reluctant policeman



The idea that President-elect Bill Clinton will escape clutches of foreign policy is piffle. He hopes devote

can forget that. When he delivers his inaugural address tomorrow, the smoke will be rising from hombed-out ruins in Baghdad. Americans will be twisting arms in Somalia. Bul-lets fired in Sarajevo will whistle around the new president's ears. More to the point, the remnants of the Soviet empire will still he in danger of further collapse into a series of local wars. Any of the eastern states, including Russia, might fall victim to a right-wing coup. Their ouclear arsenals are still intact. The US cannot ignore such threats to its Mr Clinton should know. He

is a "wonk", a swot, a vora-cious reader. He has studied the history of his predecessors. Every inaugural speech since the conclusion of the 1939-45 war has included a promise that Uncle Sam will continue to act as the world's policeman, or at least as a global peacemaker. On January 20 1949, President Truman spoke of opposition to a regime that adbered to a "false philoso-phy". It lasted for 40 years. Mr Truman announced the establishment of a new defence pact. which, three months later, became Nato. In January 1953 General Eisenhower was equally clear. "To meet the challenge of our time," he said. destiny has laid upon our country the responsibility of

the free world's leadership." No one will forget President Kennedy's "pay any price, bear any burden" speech of 1961. Four years later President Johnsoo vowed that "in concert with other oations, we shall help men defend their freedom". It took President Nixon nearly two terms to extricate the US from the Vietnam war, a direct consequence of the Kennedy Johnson dicta. In splie of that experience. President Carter devoted part of his dovish address of January 1977 to a message "to you, citizens of the world". It included an undertaking that "the United States will meet its ohligation to help create a stable, just and peaceful world

order". Mr Carter was unlucky. Iran held US citizens hostage until the day after he stepped down. In 1981 President Reagan'a first speech was focused on the

domestic economy, as Governor Clinton's is expected to he tomorrow. Yet Mr Reagan warned: will maintain sufficient strength to prevail if need be, knowing that if we do so we freedom in the have the best chance of not cold war' having to use

boasted that that sentiment won him the cold war. He could be right. His successor was not so fortunate. After his inauguration on January 20 1989, when he predicted that "the day of the dictator is over", President Bush was caught napping by the falls of both Mr Gorbachev and the Communist party of the Soviet Union. He tried to construct a post-cold war policy, around the notion of a new world order". Actions were to be legitimised by the United Nations and supported hy American powar. He did well in assembling the coali-

tion that won the first Gulf

that streogth.

leave office with a new order in place. In Iraq, the day of the dictator is damonstrahly not

Mr Bush's problem - our problem - is that no convincing mechanism for a global foreign policy or its regional constituent parts exists. Mr Clinton has acknowledged this. "We cannot go four more years without a plan to lead the world," he says in Putting People First, the book of his campaign. In a sentence that could easily fit into tomorrow's address he adds: "The defence of freedom and the promotion of democracy around the world not only reflect our deepest values; they serve our national

interest." He

which Mr

product, may

dissociate the

does not actu-In Mr Clinton's ally have a plan, hut proaddress, we need poses to apto see evidence point a team to that he has begun construct one. Yet we hava to define a new been invited to national security believe that the anti-Vietnam policy 'to build on war generation, the victory of Clinton is the most celehrated

> world's most powerful republic from its previous international concerns. The issue is not isolationism.

That narrow sentiment is stronger now that the Soviet threat has disappeared. It will thrive while so many domestic problems are pressing, it flourishes in recession. But it cannot prevail. The world will not allow it to do so. What Mr Clinton needs is a structure that can guide the conduct of US relations with other states. Foreign ministries knew where they stood when there were two superpowers and a third world. Nobody knows quite what to think now that those neat divisions have faded.

What we outsiders will look for in tomorrow's inaugural address is more than a mere ritual affirmation of America's acceptance of its global reach. We need to see evidence that Mr Clinton meant what he said when he wrote last year: "We must define a new national security policy to build on the victory of freedom in the cold war." If he cannot find a single theme, a grouping of policies for specific areas will do.

For example, the bombing has not yet destroyed Mr Saddam. It can only defeat or contain Iraq as part of a regional strategy that has been clearly thought through. There are many questions for the policywonk. Does Washington see a long-term threat in a resurgent Iran? Is there to be a gause in the Middle East peace negotiations, now that a president beholden to the Israeli lobby has been elected? Is Syria to be trusted? Again, incremental yet ineffectual measures in former Yugoslavia have not yet brought peace. The Vance-Owen plan is ingenious, but lasting stability can only be. guaranteed when we have a Enropean American alliance that is willing and able to defend the principle that borders are not to be changed by force. As to Russia, the maintenance of a democratic, promarket government in office is of at least as much importance to the US as any single domes-

Yet Washington can no longer be relied on to support global policies on its own It demands participating allies. This is reasonable. I offer these phrases to the Clinton inaugural address: "We shall pay part of any price, share any hurden, meet a fair percentage of any bardship...in order to assure the survival and success of liberty." The new president will have to pin something like that on his wall. There is no serious alternative.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Pay plight of young people

From Mr Sam Johnston. Sir, Your article on the pay falls experienced by under 21year-olds, when compared with older workers ("Under 21s slip hehind in pay", January 14) highlights a hig issue – and the fact that there has been "no evidence of systematic falls" since young people were removed from wages council protection should not be used to detract from its significance.

Young people are in an increasingly precarious position. In addition to low pay we have seen in recent years the removal of income support from 16-17-year-olds, introduc-tion of student loans, decline of the Youth Service, continual changes in education and more generally rising homelessness and unemployment.

Young people are the future of the country and we ignore their plight at our peril. Sam Johnston, acting national secretary National Council of YMCAs, 640 Forest Road,

Regulatory review must not tie independent financial advisers

Sir, You are right, in your leading article, to call for the alternatives to the Personal Investment Anthority to be spelt out ("City regulation",

January 14). The members of the existing self-regulatory organisations (SROs) will decide whether the PIA comes into existence. They need to know the implications of their decisions before they vote and they should be aware of planned changes within which SROs will operate.

However, your suggestions that Fimbra, the regulator for

financial intermediaries, could be absorbed within a strengthened Lautro, the regulator for unit trust and life companies, and that independent financial advisers would have to become tied agents, except where they could obtain authorisation through professional bodies, is misguided. While examples of poor advice being given have come to light (incidentally, largely from tied agents), these have affected a small minority of the recipients of advice.

A far more pernicious consequence of the Financial Services Act has been the contrac-

pendent advice. However tough the regulatory environment, "tied advice" will not be a universally adequate substitute for independent advice. It is, therefore, important that the current review of SROs does not force independent financial advisers into the tied agency Sector. GHEHIII,

managing director. National Mutual Life Assurance. The Priory. Hitchin,

Efficiency greater in the parts than the whole

From Prof Leon Hollerman. Sir, In his column (Economic Viewpoint, January 14) Samuel Brittan states "The US still produces much more per head than its main competitors, including Japan . .

This is true only if you compare the Japanese economy as

a whole with the US economy as a whole. Sector hy sector, you get quite different results. Compare, for example, the efficiency of Japanese agriculture with that of the US. in manufacturing, however, which is what Samuel Brittan was writ-ing about, Japan's efficiency is greater than that of the US. Leon Hollerman. professor of economics, Peter F Drucker Graduate Management Center. Claremont Graduate School, 4252 Via Padova,

Abolition of ACT would be to throw out baby with bathwater

London E17 3DZ

From J C Barnsley. Sir, Your articles ("Government urged to look at ACT issue" and UK company news, January 12) on the problems that advance rorporation tax is causing for many UK-hased companies made some telling points, hut might have given a somewhat misleading impresalon of the ACT system. It does have good points:

 When a company accounts for ACT, on paying a dividend, an equal tax credit to set against their own personal UK tax liabilities. The ACT that

can be set against the compa-ny's corporation tax hill is not a long-term cost to the company. Only ACT that cannot be used in this way (surplus ACT) is a real cost to the company, and even then the creation of that surplus ACT will have provided an equivalent economic benefit for its sharehold-

 The tendency of the ACT system to encourage profitable investment in the UK rather than overseas might be seen as helpful with the UK in recession and 3m unemployed. So while the system clearly has flaws, any call for its abolition would be throwing the bahy out with the bathwater. The preferable approach, which the 100 Group is taking, is to suggest constructive changes to relieve the worst of the current problems.

ACT paid that can he set against corporation tax due. Allowing pound for pound set-off would improve utilisatinn at relatively low cost.

The most ohvious and eminently simple improvement is to get rid of the antiquated rule restricting the amount of

ACT is an important tax.

Flaws in its operation have been swept under the carpet for far too long. By some positive indication in the hudget, such as abolishing the limitation on setting ACT against corporation tax, the chancellor would show that he recognises this and is seriously considering ways to improve the system without losing unacceptable amounts of tax. J C Barnsley, director of tax services.

Price Waterhouse,

Southwark Towers

London SEI 9SY

32 London Bridge Street

No climb down by Prince Sihanouk over Cambodia development

From K L Bindra.

Sir. The heading of the news item "Sihapouk climbs down" (January 11) is used in a derogatory manner, which means "he withdrew attention from a previously held position by admitting that he was wrong". This is not only inaccurate, but there is also absolutely no basis for auch a conclusion. The facts are that, under sec-

tion III. article 6, of the Paris Peace Agreement, the UN Transitional Authority in Cambodia (Untac) had to take direct control of the ministries of foreign affairs, defence, public security, linance and information, as well as other admin strative agencies, bodies and offices, which could directly influence the outcome of the elections. Besides, all the civil police were to operate under Untac's direct control or super-

law and order are maintained effectively and impartially, and that human rights and funda-mental freedoms are fully protected. Unfortunataly Untac failed to implement it properly, with the result that the Viet-namese installed a communist regime in Phnom-Penh (though less hrutal than the Khmer Rouge, it has always auppressed dissent; its human rights record has been criticiaed hy Amnesty and Asla Watch), which has been attacking and intimidating both the non-communist factions, so

outside Phnom-Penh. Prince Norodom Sihanouk had denounced the Phnom-Penh faction for a series of bombing and other attacks on

that they should not carry on their alectioneering campaigns

vision in order to ensure that | ties, and also Untac for not controlling the violence (as it had not taken full direct con-trol of the administration). The prince had warned on December 14 1992 that, unless both acted vigorously "against the poisoning of public atmosphere... and such injustice and political terrorism", he would stop co-operating with them. As the intimidation and killing of non-communist func-tionaries increased in the next fortnight, he had no option but to stop co-operating with them. It had the desired effect. Mr Akashi (Untac chief) asked

Untac to take full control of the situation, to create a neutrai political anvironment. He called on Prince Sihanouk in Beijing on January 8, and explained to him the action he had taken. He further assured both the non-communist par- the prince that both the noncommunist fronts will no innger be intimidated in future, and will be properly protected from attacks by the Phnom Penh faction.

The prince accepted the aasurance, and agreed to co-operate. Though he is ill he even agreed to preside over a meeting of the anprema national council of Cambodia in Beijing, at the end of the month, to solve some urgent problema

As auch, hy no stretch of the imagination is this a "climb down". Instead of complimenting Prince Sihanouk for his achievements, he is sneered at. This reminds me: "East is East, and West is West, and never the twain shall meet."

K L Bindra, 15 Elmstead Avenue,

Cards IIII Sheraton



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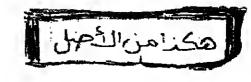
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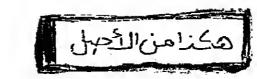
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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday January 19 1993

The carrot and the stick

THE ESCALATING confrontation hetween Iraq and the western allies has all the grim inevitability of a play in which both sides are playing prescripted roles when neither can be sure of the ending. President Saddam Hussein constantly tests and taunts the allies' resolve; the US, Britain and France respond with shows of military force that are designed to punish him but may serve to bolster his standing at bome and in the wider Arah world.

What the allies lack at present is a coherent political strategy to match their military muscle. This is worrying, for without ona they may be condsmned to further escalation almost for its own sake, with the eventual risk of a serious foreign policy debacle.

It is not that a specific rationale is wanting for the west's individual actions. The air raids on anti-aircraft missile systems last week and yesterday are politically justifiable in that they are designed to remove threats to the implementation of the no-fly zones imposed over the north and south of the country in defence of Iraq's Kurdish and Shia Moslem populations. Sunday's cruise missile attack on a nuclear component plant in the outskirts of Baghdad was defensible as an appropriate response to Saddam's persistent refusal to give UN inspection teams unconditional access to military facilities. But as the attacks, and Saddam's "cheat and retreat" tactics,

continue, it must be asked: what, overall, is the west trying to achieve? And in what way do its actions, taken as a whole, bring that goal closer?

Far from clear

not lie

h sers

and Statest

If the answer to the first question is Saddam's removal from power, it is far from clear from official statements in Washington, London and Paris. The emphasis, rather, is on the more limited tasks of enforcing the terms of the Gulf war ceasefire and helping to protect Iraql citizens from their eader's worst excess

This obfuscation is understandable. It would be hard to imagine a strategy aiming explicitly at the toppling of Saddam securing a consensus in the UN Security Council, any more than such an objective was a formal aim of the broad-based coalition that fought the Gulf war two years ago. Even if the western allies did spell ont their desire to remove the Iraqi leader, they are most unlikely to be able to do the job themselves. It may be argued, by extension, that further explanation of west-

ern strategy is unnecessary, that measured, ad hoc military strikes are sufficient to contain the threats posed by Saddam to his neighbours (through invasion or the accumulation of weapons of mass destruction) and to his own citizens. The problem with this line of reasoning is that it condemns the allies to a pace and intensity of action determined by the level of provocation offered by Saddam. This is doubly true at a time when the leadership of the western world is in transition. Saddam is watching intently for any sign of diminished resolve on the part of the incoming US president; the logic of force almost demands that he step up the pace.

Searching reappraisal

Mr Bill Clinton will have to conduct a searching reappraisal of US Gulf policy. First, he has no alter-native to continuing to seek full iraql compliance with the Gulf ceasefire. Second, he must build on the existing effort to protect the Kurds and Shias, whose repression is acknowledged as another source of regional insta-bility, by warning Saddam that western air power will be used against attempts to interfere with international relief supplies. Third, he should muster a broader international force to defend Kuwait's horders, which remain alarmingly vulnerable to Iraqi

Fourth, and most important, he should attempt to elaborate a political strategy aimed not at directly toppling the Iraqi leader but at encouraging Iraqis to do so. Alongside the stick of military action, he should hold out the carrot of US co-operation provided Iraq adopts a regime that respects the will of the international community and the dignity and well-being of its own citizens. In place of the unmittgated despair traqis are experiencing today, he should offer the conditional hope of a lifting of sanctions. By clearly enunciating such a prospect, he just

How to target inflation

JUDGED BY what the chancellor said over the weekend, lower interest rates are not to be expected in the near future. The justification for such caution at a time of the barest whispers of recovery was the need to keep underlying retail price inflation within ths target range of 1-4 per cent estab-lished after sterling's exit from tha exchange rate mechanism. Is this either the right goal or the best indicator for policy?

The case for making control over inflation the principal aim of monetary policy remains strong. This is not just because low infla-tion is desirable in itself. It is at least as much because of the costs of instability. Attempts to lower inflation may create irreversible economic damage. For this reason, monetary policy must try to keep inflation as stable as possible. rather than permit the wild swings characteristic of the British stop-go cycle.

The problem is not with the ultimate aim, but rather with how its achievement is measured. Overdue reliance on the annual change in the RPI suffers from several drawbacks. First, it shines its spotlight on what may turn out to be irrelevant economic history, although the effects of current monetary policy on future infla-tion onght to be the main concern. Second, pursuit of a target for the RPI is likely to prove economically destabilising, following devaluation. Third, a target for the RPI does not provide wage bargainers with a reference point as clear as the exchange rate.

Worrying expectations

What should matter to monetary policy is not past inflation, but expectations for the future. As it happens, these expectations are worrying. The Treasury pointed out in last week's Monthly Monetary Report that the gap between returns on conventional and index-linked gilts is not only 5 percentage points at the long end, but is also 6.00 minutes at the long end, but is also 0.2 percentage points up on tha previous month. Investors doubt the government's integrity. a fact that helps to justify the

chancellor's caution.

The RPI will also be affected by the devaluation, now 10 per cent since just before September 16. Many seem horrified that devaluation may be passed through into prices. They should not he. A devaluation was needed to increase the incentive to produce tradable goods and services. It does so by raising their relative prices. But the most important relative price is that for labour, which must fall if a devaluation is

Blip in inflation

If the government responds to the needed hlip in inflation following devaluation by tightening monetary policy further, it will destabilise the real economy. What monetary policy must avoid is a rise in earnings in response to the higher retail prices. Particularly in the aftermath of devaluation, the relevant indicators of inflation are pay and earnings, not the RPL

Pay and earnings should in fact be a permanent target. The government - or, better still, an independent Bank of England should take a leaf out of the Bund-esbank's book, by stressing the link between its monetary policy and pay trends. In so doing, it would be targeting not merely one of many indicators of underlying inflation, but its principal determi-nant. It would also avoid policies that bring about largely cosmetic improvements in underlying inflation by squeezing profits. Above all, it would give pay-bargainers a clear reference point, something lost when sterling was devalued.

As it happens, the evidence on

pay and earnings, like that on inflationary expectations, underlines the case for caution. An appropriate target for the annual increase in earnings might be 2-5 per cent. While pay settlements may be easing below 4 per cent, earnings were last reported to be rising at an underlying annual rate of 51/2 per cent. Even though the rate has been declining in recent months, it is still not securely within the desired range. The chancellor is right to be

cautious, though somewhat lower interest rates may soon be justified. But he is not so obviously right in how he is targeting inflaright in now he is targeting inflation. The country needs a clear link between changes in monetary policy and in pay, the principal determinant of underlying inflation. The RPI is not a sensible to the country of the indicator, particularly after a devaluation. The chancellor should carry on fighting, but first he must choose the right targets.

nternational Business Machines, the world's largest computer manufacturer and a symbol of US technological prowess, is today expected to report the biggest annual loss in US

corporate history.
Wall Street is forecasting total losses for 1992 to be about \$4.7hn, after taking into account pre-tax charges of \$11.4hn to pay for continuing cuts in the company's work-force and the consolidation of man-

ufacturing operations.

It will be the second consecutive year that "Big Blue" has reported a loss and the US financial community has delivered a damning verdict on the company's performance. IBM's stock was yesterday trading at below \$50 a share, down from over \$100 as recently as July. Last week, the company's AAA credit rating was downgraded to AA minus by Standard & Poor's.
Today's results will add to the

gloom surrounding IBM. But of even greater significance to investors in the company, its customers and its rivals and allies in the international information technology industry will be the company's fate over the next five years or so. Can IBM survive as the leading company in the world's information technology industry or is it doomed to a protracted decline?

Until recently, such a question would have seemed unthinkable. Few companies have had snch power to set standards, infinence trends and exert leadership in an industry as IBM has for the past 30 years. Now only one thing is certain. The company must change radically if it is to regain its strength and profitability. The corporate structure on which IBM was built is increasingly obsolete. The markets it has dominated have been reshaped by advances in semiconductor technology that have reduced sharply the cost of computers and the gross profit margins of computer manufacturers.

This trend has been under way for several years, but as IBM's chairman John Akers told US analysts before the turn of the year, the rate of change is accelerating: "Advances in technology are placing more function, more power and more memory in ever-smaller semiconductor chips, while proprietary technologies are declining in value as industry-standard building blocks become the norm.

Many computing tasks that once ran on mainframe computers - the large centralised systems which have traditionally been IBM's main product - can now be carried out on networks of smaller, less expensive machines. This has played to the strengths of a new generation of Silicon Valley competitors which have lower costs and more flexible production and which have responded more quickly to changing market demands. This is the primary cause of the current downturn at IBM. It has been exacerbated by weak global economic conditions which bave depressed demand for its products.

Faced with a choice between a multi-million dollar investment in an IBM mainframe and less expensive computer networks, information systems managers within companies are increasingly choosing the latter option.

"Today, information systems managers are afraid to expose themselves within an organisation by paying the high price of IBM mainframe computer power," says Mr John Jones Jr. an analyst at Salomon Brothers in San Francisco. His comment is a startling revision of the old adage that nobody was ever fired for huying IBM.

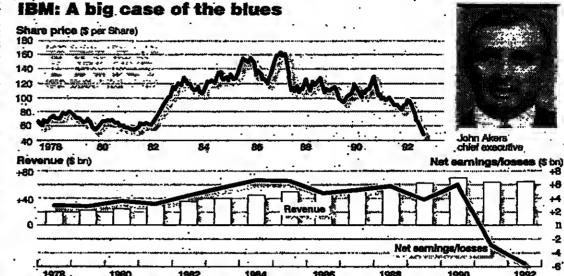
Mr Jones estimates that IBM's mainframe revenues declined by almost 15 per cent last year to \$9.3hn from \$10.9bn in 1991. Sales of related products - such as data storage systems and printers as well as software and services which, combined, represent about one-third of turnover - have also suffered.

IBM was built to sell mainframes.

It has the structure, the sales and support operations, the manufacturing and research and development goals, and the high overheads of a mainframe computer company. Yet mainframes seem unlikely to pro-

A separation of powers

IBM is reducing its reliance on mainframe computers and creating autonomous business units in an attempt to reverse its decline, say Louise Kehoe and Alan Cane



European computer market share (by product category) 60% and OTR Pedde

vide IBM with significant opportu-

nities for growth. IBM's dilemma is vividly illnatrated by an analysis of the company's higgest market, Europe, carried out by OTR Pedder, a Brussels consultancy. It shows (see chart) that in 1974, when IBM was enjoying its greatest success, mainframes com-prised almost 80 per cent of the hardware market by value. Today, the corresponding figure is only 20 per cent. From nothing in 1976, personal computera and workstations have grown to more than 60 per cent of the market by value.

The challenge facing IBM, therefore, is to make a transition from a company heavily dependent on high-margin mainframe sales to a smaller, more flexible organisation with a stronger presence in faster-

IBM was built to sell mainframes. Yet mainframes are unlikely to provide fresh opportunities for growth

growing areas of the computer market such as personal computers, workstations, networking systems, consumer products and computing

IBM has already taken steps to reduce costs. It has shed about 100,000 employees and reduced manufacturing capacity hy 40 per cent since 1986. A further 25,000 jobs, or 8 per cent of the workforce, will go this year. Research and develop-ment spending, the seed corn of suc-cess in the computer husiness, will

be cut from \$9bn to \$8bn this year. These measures have made an impact. Revenue per employee, a measure of efficiency, is now \$213,000, more than its competitors Digital Equipment and Hewlett Packard.

But most industry analysts believe further reorganisation is necessary. Mr Mark Stahlman, author of a scon-to-be published study Why IBM Failed, remains critical: "For all its restructurings over the last few years, IBM has consism to nibhle the hullet instead of bite it."

The company may now be ready to cut deep into previously sacro-sanct territory. Mr Akers' pre-Christmas announcement that most of the 25,000 jobs to go this year will be in sectors supporting the mainframe husiness was regarded as a watershed by many within IBM.

The cornerstone of Mr Akers' strategy, however, launched at the end of 1991, is to decentralise management and turn IBM from a monolith into a "federation of increasingly autonomous and independent business units" that are more flexible and able to compete more effectively in their own segments of the computer market. Known as the "Bahy Blues", the

first of these fledglings have been the IBM PC Company, formed last September to take over all the company's personal computer operations; Adstar, formerly IBM's data storage division; and Pennant Systems, IBM's high-speed printer operation. So far, the results seem promising. Last November the IBM PC Company achieved the highest monthly volume of PC shipments in IBM's history. It earned revenues of about 59hn in 1992 - making it the world's largest personal computer company — and is expected to be profitable this year.

Adstar, the data storage business,

has established Itself as an important supplier in the industry. It is the leader in the rapidly growing market for high capacity 3.5-inch disc drives, which store computer data, and achieved an estimated \$300m in sales to outside customers in 1992. Pennant Systems, with revenues of \$2bn, is expected to show a small profit for last year.
There are criticisms, bowever,

that IBM is not moving fast enough to give autonomy to other segments of the business. Mr Stahlman maintains, for example, that in workstations (high performance desktop computers) - the fastest growing segment of the computer hardware

husiness - IBM's product development and manufacturing operation is hampered by an inability to create its own strategic relationships in a highly competitive market,

Increased autonomy for IBM's operations is of particular importance in the service sector, an area that represents one of the company's best opportunities to return to profitability. Sales of computing services

including consulting work, soft-ware, project and facilities manage-ment, and systems integration are growing at about 25 per cent a year compared with less than 5 per cent for hardware.

IBM is expanding its services operations, establishing new business units worldwide and pricing its services aggressively to attract busi-

'For all its recent restructuring, the company has consistently chosen to nibble the bullet instead of bite it'

ness. Already, more than 40 per cent of IBM's revenues come from software and services: "in four or five years, IBM may no longer be a dominant force in hardware prod-ucts but it will be a computer services powerhouse," says Mr John Logan, vice-president of the Aberdeen Group, a Boston consulting and market research group.

IBM's ambitions in computing

services have produced a hostile response from competitors. Mr Keith Burgess, managing partner for Andersen Consulting in the UK says: "I find it a desperately cynical suggestion that any hardware manufacturer or software bouse can enter the upper echelons of the consulting business just like that...The skills of the line manager are not the skills to effect the step changes in performance that are the hallmark of the effective

Impartiality In recommending equipment is another potential problem in the US, IBM has formed a subsidiary, Integrated Systems Solutions Company (ISSC), to create a buffer between its sales and con-

sulting operations.

Since ISSC was formed in May. 1991, it has won some impressive contracts including a 10-year, \$3hn deal to manage McDonnell Doug-

las's IT operations.

Beyond restructuring its operations to address existing mar-kets more effectively and shifting resources into the service sector, IBM is pursuing new husiness

opportunities:

It is beginning to focus on consumer electronica where the convergence of computer, communications and consumer electronics technologies is widely expected to create the next "blockhuster" electronics prod-uct. Mr David Robinson, president of the consultancy CSC Index points to the potential of a device small enough to fit the pocket, cheap enough for the mass consumer market and powerful enough to transmit voice, data and images over communications networks.

IBM demonstrated a prototype of such a device at the Consumer Electronics Show in Las Vegas earlier this month. The 16-ounce "personal communicator" combines PC power, and electronic mail with cellular telephone and fax capability.

"Whether or not this technology becomes an actual product is not really the issue," says Jack Kuehler, IBM president. "The device is only the 'razor'. Our intent - and our core husiness - is to provide the 'blades' of on-line services, communications, visual content and information entry."

 Technology alliances are another element of iBM's recovery strategy. Among the most significant is its partnership with Apple Computer. in a joint venture called Taligent the two companies are developing personal computer software that analysts believe may challenge Microsoft's dominance of the PC software market. "IBM handed the PC industry to Microsoft on a silver platter when it adopted Microsoft's DOS operating system in 1981. Now it is fighting to regain control," says Mr Jones of Salomon Brothers.

 IBM is also expanding it sales of technology and components to other companies in the industry, in particular, its semiconductor divi-sion is seeking external sales rather than producing chips solely for internal consumption as it has done intil recently. As the world's largest semiconductor manufacturer it has the resources and the technology to become a significant competitor in this market.

implementation of these strategies implies the emergence of a different corporate structure. But few within the company or the industry see an alternative to Mr Akers' plans. Most also agree that success will depend to a large extent oo the degree of autonomy afforded the new businesses and operations.

"IBM's willingness to let go of the reins and allow subsidiary businesses to develop according to their own internal logic is still the great question facing the company," write Mr Charles Ferguson and Mr Charles Morris, authors of Computer Wars: How the West Can Win in a Post-IBM World, to be published next month. They blame IBM's problems on its tendency to impose "mainframe style manage-ment" on husinesses where it is inappropriate.

Recovery will also require patience. "IBM is like an aircraft carrier that takes five or 10 miles to turn around in an age of speedhoats," says Regis McKenna, a respected computer industry consultant and author of Who's Afraid of Big Blue, an account of the success of Silicon Valley companies in their contest with IBM. "Companies such as Sun Microsystems and Apple Computer grew up in a competitive environment. IBM grew up in the 1950s, when it could control the market environment," he says. "Now It has to learn to become

interdependent with the market. It will take a long time, st least five years, to turn IBM around," Mr McKenna predicts.

OBSERVER

Routinely royal rumpus

■ If the more nervous membera of Britain's embattled royal family think that the whole world is agin'em, they might take comfort from the current royal rumpus in Malaysia.

Threatened with being stripped of some of their favourite privileges
- such as a routine right to legal immunity - the country's nine sultans have not been getting a

good press lately.

The local media, which tends to toe the government line, has been regaling the public with all sorts of alleged royal misdeeds, ranging from tales of lavish parties and prodigious gamhling, to overspending on imported luxury limos and air-conditioned stables for their finest polo ponies. Indeed, one golf-mad sultan is alleged to

have assaulted, and killed, his caddie in a fit of rage. However, Malaysians have been getting most upset by the latest revelation of the sultans' high living – a £7m boondoggle paid for out of the public purse. Its purpose? To decide on the

location for a royal viewing of the moon - apparently something of a favourite pastime among the

It's alleged that the sultans used the meeting to get up to other less than courtly pranks – like locking a senior government official in a

kennel and roundly abusing several Now that's Observer'a kind of dirty tricks.

Propped-up

As Michael Heseltine prepares his White Paper to save the coal industry, the question arises of what to name the coal levy which is bound to feature in his plans. The electricity analysts at Robert Fleming Securities are proposing Coal Energy Central intervention Levy, or CECIL, summoning the ghost of Lord Parkinson, the erstwhile energy secretary. Observer prefers PTTS for Pour in The Subsidies.

Cheesed off

■ It has long been an adman's axiom that if you can't find anything interesting to say about a client's product, mount a teaser campaign. Even so, the latest efforts hy

Coca-Cols and Lowe Howard Bell, its British advertising agency, to drum up free publicity betray signs of unusual desperation. Summoned yesterday to a "major mystery announcement" at St Martin's Theatre in London, bome of the long-running wbodunnit "The Mousetrap", hacks were treated to a tedious presentation by a top Coke executive which included a man dressed as Kaiser Bill and



If we held a war and no one turned up, we'd use cruise misslles

a small inflatable zeppelin. These, it finally turned out, were the improbable themes of a UK commercial for Tab Clear, a new colourless diet cola. No figures were available for sales targets, the ad budget or even Coca-Cola's UK sales

But as it happens, the same product was announced a month ago in the US, where Tab's once-commanding share of the diet cola market has shrunk to less than one per cent, and followed the launch of a similar soft drink by arch-rival Pensi.

Even as self-important a company as Coke should realise that if a

secret is really worth revealing, it will be faxed around the world in a matter of hours. If it wants to attract media attention, it had better invent a better mousetrap next time.

Bank byting

■ One of the hig unknowns of early 1993 is how Barclays Bank will address the continuing institutional pressure to split the role of chairman and chief executive. There is even talk of Barclays looking as far afield as the US for a new ceo.

in the meantime one man to watch is 45-year-old information technology supremo Joseph De Feo, who has only been with the bank for three years. Big banks have to get their operating costs down if they are to survive, and De Feo is the man in the bot seat at Barclays.

He has a lot in common with Gene Lockhart, Midland's ex-technical wizz. Both are straight-talking Americans wbo have made their reputations on Wall Street rather than in UK branch banking. Pride of place in De Feo's office goes to a buge Louisville Slugger baseball bat and he is not afraid to describe Barclays property lending binge as "dumb".

Unlike Lockhart, who was promoted to the Midland board within a year of joining, De Feo has not yet made it into Barclays' inner sanctum. He's also said to

earn rather less than the £725.844 Lockhart commanded at the peak of his popularity. However, in much the same wav

that Lockhart's future was tied closely to that of his boss, Sir Kit McMahon, De Feo's high flying career also depends on the star of current Barclays' chairman Andrew Buxton remaining in the ascendancy.

Blinkered

■ The audience at the conference in London yesterday on how to compete for £1.5hn of government services received the usual hulky pack containing the main speeches, names of participants and Participants for the day.
Participants hoping to learn more from William Waldegrave's speech on "The government's vision". however, were surprised to find only a blank page. Prime minister John Major is

known to be worried sbout his isck of the "vision-thing", but that's ridiculous.

Shrinks' links?

■ Can there be a connection between the first three tonics scheduled for learned discussion at the British Psychological Society's conference in April?

They are Male sexuality, Memory, and MPs' workload, stress and family life.

FINANCIAL TIMES

Tuesday January 19 1993

Japan's leading business newspaper

IS AVAILABLE ON MONDAYS AT NEWS KIOSKS IN THE CITY

Funds to help lira's return to ERM 'as soon as possible', say officials

EC approves Italian loan deal

By Lionei Barber in Brussels

AN Ecu8bn (£6.5bn) balance of payments loan to bolster Italy's efforts to control its huge budget deficit and overhaul its economy was approved yeaterday by European Community floance

The loan, which is conditional on periodic EC reviews of the budgetary programme, imposes an external discipline which the government of Mr Giuliano Amato views as vital to winning political support at home.

Italy asked for the loan last October, partly to offset the loss of reserves used to support the lira during the September crisis

By Jurek Martin in Washington

MR BILL CLINTON, who is to be

sworn in as president tomorrow.

yesterday promised both continu-

ity and change in his administra-

tion's conduct of foreign policy.

Georgetown University, his alma

mater, he said he would build on

the successes of his predecessors

"in specific areas". He cited the Middle East peace process.

nuclear arms control and prolif-

eration, the humanitarian opera-

tion in Somalia, the support for

reform in the former Soviet

Union and the creation of new

and expanding markets around

fundamental ways and we must

change with it," he weot on. "We

need to clearly state how we plan

in the US to adapt our nation's

foreign policy goals and institu-

Mr Clinton said his foreign pol-

tions to this new era.

By Quentin Peel in Bonn

THE SLOWDOWN in the German

economy will mean an "Inevita-

ble" increase in the government's

net borrowing requirement, as

well as drastic savings through

cuts in tax allowances and reduced social spending, mem-

bers of the ruling coalition

They hope, in talks today, to

finalise plans for a substantial

savings package, as part of the

wider negotiations for a "solidar-

lty pact" to finance German uni-

The package is expected to include the introduction of strict

means tests to limit social pay-

ments, such as children's allow-

ances, to the poorest, and a possi-

ble halving in the tax benefits

It will also attempt to limit the

payment of unemployment benefit, to ensure that the dole does

not exceed wages available for

The possibility of substantial

cuts in social payments has

aroused the anger of the opposi-

tion Social Democrats (SPD). If

the package is rejected by the SPD, the government will still

press ahead and attempt to reach

unwarranted. "Personally f

helieve the worst is over," be

said, echoing similar statements

last week hy EC central bankars.

Irish officials said they believed the punt had "weathered the

ERM crisis", and were visibly pleased that EC finance ministers

had agreed to Dublin'a request

for a statement aimed at cowing

speculators. But ministers were

guarded about an early return of the Italian lira to the ERM,

despite agreement on an Ecu8bn

(\$9.8bn) medium-term balance of

At yesterday's meeting - the first high-level macroeconomic

discussion at ministerial level

under the Danish presidency of the EC - the mood of solidarity

was dampened by the gloomy

Srussels
Budepest
Budepest
Budens Airet
Cairo
Cape Town
Ceracan
Cesablance
Chilcago
Cologne
Coprohagen
Cortu
DeBas
Dublin
Dubrovnik
Edinburgh
Faro
Faro

payments loan.

World

Weather

available for home-buyers.

those still in work.

Continued from Page 1

warned yesterday.

fication.

Yet, the world has changed in

the world.

In a speech to diplomats at

inside the European exchange rate mechanism. Greece and Italy have received similar loans but this is believed to be the largest medium-term balance of payments loan for which the BC has used its own guarantees to raise money on the capital markets.

According to the agreement reached yesterday in Brussels, Italy will be paid the loan in four tranches of Ecu2bn, two to be paid this year no earlier than Fehruary 1 and July 31 respectively; the last two will be paid in 1994 and 1995.

Mr Henning Christopbersen, lined four conditions. • The ratio of Italy's debt to

Clinton says sound economy

is key to US foreign policy

icy would be based on three pil-

The first was to make US eco-

nomic security "a primary goal" of foreign policy. "We cannot sus-

tain an active engagement

ahroad without a sound economy

at bome," be said. Essential to

this was a system of global com-

mercc "rooted in principles of

openness, fairness and reciproc-

• US armed forces would be

restructured to meet new and

continuing security threats. Pru-

dent cuts in defence spending

were necessary, hut that did not

mean a lessening of US resolve,

he said, "When oecessary we will

not shrink from using force when

all appropriate diplomatic mea-

• The US would encourage the

spread of democratic values

worldwide, "Democracies do not

wage war against one another.

They make better partners in

Bonn coalition partners warn

of cuts in social spending

Otto Lambsdorff: tax sbortfall

to leaders of the coalition.

unions and the governments of the 16 federal Länder, according

Both Mr Otto Lambsdorff.

leader of the Free Democrats, the

minority party in the coalition,

and Mr Theo Waigel, the finance

minister and leader of the Chris-

tian Social Union, sister party of

Chancellor Helmut Kohl's Chris-

tian Democrats, took a hard line

growth forecasts produced by the

According to the Commission's

projections, growth in the EC this year will fall from 1.1 per

cent in 1992 to 0.8 per cent. This

is lower than last month's Organ-

isation for Economic Co-opera-

tion and Development outlook which forecast 1.2 per cent for the EC in 1993, and less than the

Commission's earlier guarded

bopes of growth between 1 and

1.5 per cent. The Commission said it expec-

ted Germany to remain flat, with

France and Spain each reaching

a meagre 1 per cent. But the Commission said it expected 1.3

per cent growth in Britain in 1993

aury forecast of 1 per cent.

marginally above the UK Trea-

Mr Christopbersen said the

improvement was a result of a

on the negotiations yesterday.

Brussels cuts EC growth forecast

European Commission.

trade and diplomacy. And, intends to keep.

sures have been exhausted."

GDP will peak in 1994 to 112% per cent and will then begin to

• Italy will take further fiscal steps if the government's borrowing requirements increase. • The government will pursue reforms in health, pensions, the civil service and local finance. Dishursement of the loan will

be on "performance not dates", according to Mr Christophersen. Before September 1994, the Italian government, working with the EC Commission, will reassess budget targets for 1995.

Italian officials said the loan should help pave the way for the re-entry of the lira into the ERM "as soon as possible", as part of

despite their inherent problems,

they offer the best guarantee for

the protection of buman rights."

ised to work through the United Nations and other international

institutions to resolve conten-

not bear the world's burdens alone," be said, "but the Guif war

and the humanitarian relief oper-

ation In Somalia demonstrate

Apart from the now obligatory

warning to Iraq, his apeech was

essentially another of the inaugu-

ral rites of passage and was not

Nevertheless his insistence

intended to break new ground.

that prudent cuts in defence

spending were achievable serves

as a reminder both to his domes-

tic defence establishment, which

allies, from Japan to Nato, that

this is one campaign promise he

Mr Lambsdorff sald there was a

forecast shortfall in tax revenues

for the 1993 budget of DM5bn

(\$3.1bn) and an increased subsidy

of a further DM5bn needed for

tbe Federal Labour Offica -

which pays unemployment bene-

fit - as a result of the economic

A further DM1.5bn had been promised to Russia, partly for the accelerated withdrawal of troops

from eastero Germany, DM1.5bn

for the reintroduction of invest-

ment allowances in east Ger-

many and DM4bn as direct fed-

eral aubsidies for the eastern

That would make a total sbort-

fall of some DM17bn, and Mr

Lambsdorff aaid the coalition

partners "still have to find

Mr Waigel said in Munich that

social payments, including allow-

ances for children and new

infants, would be subjected to

stricter means testing, as one

way of cutting the budget burden

in a socially balanced way - to

meet the demands of the SPD.

However, both he and Mr Lambs

dorff said the coalition would

press ahead with the savings

package, even if the SPD did not

gain in the UK's competitive posi-

tion following sterling's deprecia-

tion after its exit from the ERM

last September, as well as the

British government's success in

expressed polite hopes of an

imminent cut in German interest rates. Mr Christophersen - along

with Mr Thor Pedersen, Danish

economics minister - expressed

confidence that plans for a wages

pact between unions and employ

ers in Germany coupled with pro-

posals for a tax rise in 1995

should pave the way for an early

cut in Bundesbank interest rates.

erate plans for an EC growth

pean Investment Bank lending

facility to finance roads and tele-

Majorcs
Malega
Maita
Menta
Men

Ministers also agreed to accel-

e, including a new Euro-

Several EC ministers yesterday

fighting inflation.

another DM2bn or DM3bn".

downturn.

resisting them, and to US

what is best about the UN."

"America cannot and should

Specifically, Mr Clinton prom-

the central bank's efforts to replenish its reserves. But re-entry must be at a "sustainable parity" which would prove lasting, according to Mr Piero Barucci. Italy's Treasury minister.

Mr Christophersen paid tribute to the Amato government's "courageous measures" to reform the economy, but said it was his impression that Rome favoured a step by step approach to the ERM: "It is a little too early to define a realistic exchange rate (for the lira)." Mr Horst Köhler, state secretary in the German ministry of finance, said minis-ters were looking forward to seeing the lira return to the ERM. but "on a solid basis".

Bank losses blamed on government policy

By Robert Peston. Banking Editor, in London

MISTAKES in the UK

Mr Leigh-Pemberton, who is dne to retire in June, said poor credit assessment by banks was also a factor in causing the loan losses. But he absolved the Bank's supervision department of any blame. "Snpervi-sors...cannot and should not second guess the management of individual institutions", he said.

damage to the financial system. "The UK banking industry is well placed to absorb the pressures of the longest and deepest recession in many decades."

He added: "Many financial

arrangements that had seemed reasonable in the heady days of tbe 1980s, raasnnable even against normal expectations of cyclical behaviour, were fatally undermined by the length and

depth of the recession." He said the recession would not have been so deep if the government bad not allowed the growth rate immediately before to be excessive. "The lesson for policymakers is that we can never afford to take risks with stability . . . we need, above all, a stable monetary environment, in

He lectured the banks on the need to attach the highest prior-ity to the "control and pricing of

Mr Leigh-Pamberton waa talking to the Chartered Insti-tute of Bankers in Scotland.

Called to account, Page 10

government's economic policy in the 1980s were a significant cause of the buge losses now being suffered by the country's banks, Mr Robin Leigh-Pemherton, governor of the Bank of England, said last night.

His remarks come at a time when relations between the banks and the government are strained. He did not address the Treasury's allegation that banks are behaving insensitively in their dealings with financially stretched small husinesses.

But he expressly denied a claim being investigated by the Treasury that lending margins have widened significantly.

The main role of the supervision department was to prevent

UK banks bave suffered bilmade in the mid-1980s. Many of the bad loans were to property companies or were backed by property collateral.

Mr Leigh-Pemberton said "it was not surprising that banks sought to increase the volume of their lending [in the 1980s]...it may well be that banks, lulled by the strength and the persistence of the upswing, became less sensitive to cyclical risks".

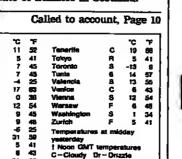
which policy is geared to the achievement of price stability."

Mr Leigb-Pemberton did not argue that banks were blameless for their loan losses. He identified three lessons for them: "Do they really pay sufficient attention to the lessons of histo-

ry – for example the property crisis of the early 1970s?" · Did they really monitor the credit criteria which had served

them well in the past?"

• "Were the incentives given to loan officers really appropriate, or did they encourage new business at the expense of sound business?"



THE LEX COLUMN

Margins of error

FT-SE Index: 2763.1 (-2.0) One would not expect Mr Robin Leigh-Pemberton to hlame supervisory failure for the bad debt troubles afflict-Water companies ing British banks. Doubtless competition following the financial liberalisa-FT-A Water Sector relative to the tion and technical innovations of the 1980s did play a role, not to mention the government's delay in tightening 170 ----policy when the economy began over heating. It all seems so obvious with hindsight. The Bank of England had worries at the time. It could have given fuller voice to them. 140 130 Bankers are congenitally prone to excess, especially in markets freed of 120 credit controls. They need constant 110 100 reminding to price risk correctly. An under-borrowed customer can quickly become risky if offered credit on terms 1990 too generous to refuse. The worst effects of the asset bubble could have been avolded if, in assessing credit-worthiness, banks had concentrated

more on sustainable cash flow than

availability of security. Institutions

like Barclays would now spend less

time doubling as property companies.

smaller if policy were more predict-able and stable. Since it is not, bank-

ers must set their prices accordingly.

Margins have not risen much in the

1990s, so they still appear not to have

learned this lesson. Borrowers should not complain ahout margins, espe-

cially those who shopped around in

the good times. They will have got

what they paid for - lenders who had

less natural interest in supporting

them when times became tough. One

lesson of the recession is that

long-term banking relationships may

Now that Allied-Lyons' joint venture

with Carlsberg is finally up and run-

ning, it is worth pausing to consider the implications for the beer market

as a whole, Carlsberg-Tetley is the

industry's third force after Bass and

Courage. With this critical mass

comes a relatively good fit, Allied is

strong in the on-trade with strength in

the Midlands and north; Carlsberg Is

strong in off-trade in London and the

south-east. That should belp raise

market share. But bow quickly, and, apart from the long-suffering regional

Much depends on the rationalisation

that must now follow. Closure of

seven depots with a loss of up to 100

jobs can hardly be the end of the

story. There must be more cost

savings both in marketing and in pro-

brewers, at whose expense?

be worth paying for.

Allied-Lyons

Of course, the risks would be

duction - although Allied has already made an independent start with the closure of its Romford brewery. Without greater efficiency, Carisherg-Tetley can hardly expect to take share away from the likes of Bass, at least in the off-trade.

That will take time. The initial impact on Allied's earnings may be small. A strong third player could eventually hurt Courage which is still wrestling with a hotch-potch of brands following its deal with Grand Metropolitan. More intriguing will be the effect on Whitbread and Scottisb & Newcastle. The former has suffered from the recession in the south-east but bas a new marketing-oriented chairman in Sir Michael Angus, The latter boasts efficiency and strong brands, but lacks critical mass and broad distribution. If Carlsberg-Tetley is right, these are both prerequisites of

Sterling bonds

The government should not take too much beart from the recent slew of sterling Eurobond issues. Yesterday's issue from PowerGen brings to £1.5bn the amount raised so far this year. But the range of borrowers and maturities suggests pockets of demand for ster-ling bonds rather than the wave of international buying required to help fund the public sector borrowing requirement. There has been overseas interest. But with sterling bovering around DM2.50, the potential for currency gain looks bardly enough to tempt blg money.

The surprise is that more companies have not moved to lock into long-term rates before the government starts

borrowing in earnest this spring.
While short rates are low most are evidently satisfied with floating rate bank debt. Moving to longer materi ties involves higher interest payment Even so, companies with a natural requirement for long-term funding utilities among them - may yet regret not raising 10-year money at less than 9 per cent. The danger is not so much that the government will absorb and available institutional funds - life companies have an appetite for corporate bonds which yield a little more than gilts. Overseas investors will be needed to fund the PSBR. They may demand higher yields or a lower exchange rate before buying more sterling bonds. Any borrowers hanging on for lower interest rates are running something of a risk.

Water companies

The water companies response to Ofwat on how the 1994 regulators review should be conducted unsettled the market. Recent performance of the sector suggests investors are looking for reasons to switch into more cyclical stocks. But the document is little more than a gentle reminder that the industry's price limits in the secondhalf of the decade are still undecided Like other recent public exchanges with Ian Byatt, the tone is gentlemanly compared with the bluster between other utilities and regulators.

It is hardly surprising the industry would prefer its capital base measured on the complex basis set hy government at privatisation. If Mr Byatt opts to take market capitalisation instead; as he is minded to do, the companies current rate of return on capital would look embarrassingly high - perhaps 11 per cent. Under the original government formula the rate of return would look more modest. The industry is: right to point out the flaw in valuing on the basis of market capitalisation. That figure itself would adjust quickly to changes in expectation of what the regulator would allow.

The industry is equally right that huge capital investment has to be financed. Mr Byatt may be tempted. for example, to reduce the companies rate of return by restricting profits growth while they press ahead with capital investment. That would mean sbarply higher gearing. Mr Byatt would doubtless argue that his preseoce would reassure potential lenders. Given the short track record of the privatised utilities, banks and bond market investors may be less certain.

termine:

ilding people - Building Bus,

GAIN A VITAL EDGE At Henley in 1993

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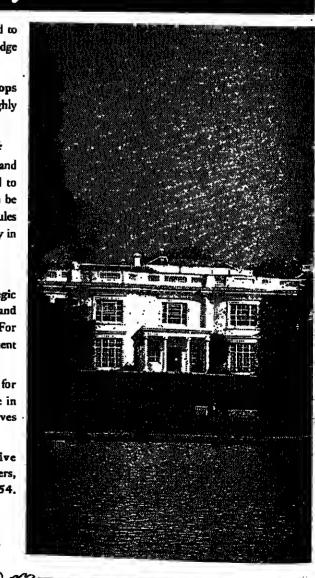
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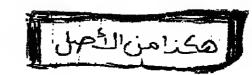
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FINANCIAL TIMES COMPANIES & MARKETS

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INSIDE

Philips lights up in North America

Philips,the Dutch electronics group, struck operating profit in North America with its light-ing division last year for the first time eince 1984. Mr Einar Klostar, president of Philips Lighting, said the company hed "caught up" with the competition in new fighting products after felling behind at the beginning of the 1990s. But he predicted 1993 would prove e "very tough" year for lighting. Page 20

Yves Saint Laurent speculation

Trading in ehares In Yves Saint Laurent, tha fashion and cosmetics company, and Elf-Sanoff were euspended amid speculation that YSL might be selling a significant ehare stake to Elf-Sanofi, the pharmaceuticals and beauty products arm of the state-owned Elf-Aquitains

Floating pound buoys Photo-Me



• #:

Sterling'e devaluation helped Photo-Me International, the world's lergest photo-booth manufacturer and operator, lift pre-tax profits by 21 per cent to £10.5m (\$16m) in the half year to end-October, Mr David Miller (left), chief executive, said the best meeeure of underlying performance was the 12 per cent growth in operating profits. Page 24

Qantas to axe 1,835 jobs

Qantas, the government-run Australien airline, plans to make 9 per cent of its workforce redundant over the next two years to hefp cut costs by A\$158m (\$109m) e yeer, Pege 22

Lean harvest from soft sell



Most British farmers are far more interested in better production than in trying to merket their. produce, hence the growing penetration by EC competitors of the British food aector. Fundamental marketing deficiencies of UK agriculture are the lack of organisations big enough to apply rasi leverage against the retail glents and a piecemeal epproach to promotion and

Market Statistics

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25252242425242520242225925222144252249922412 Foster'a Brawing Fufitsu Gestetner Watts Baike Bearne Chief price changes yesterday 72 58 9.2 14 13

Unilever and BSN in iced snack joint venture

By Guy de Jonquières,

UNILEVER, the Anglo-Dutch food and consumer products group, and BSN, France's largest food company, have formed a joint venture to develop and market worldwide a range of new products combining ice cream and yoghurt.

Unilever is the world's largest maker of ice cream, with sales last year of ebout £1.6bn (\$2.5m) in 30 countries, while BSN is the higgest producer of yoghurt, with sales of almost FFr24bn (\$4.4hn) last year.

The venture appears intended to expicit growing demand among health-conscious consumers for new types of frozen desserts and snacks. Demand is strongest in the US, where sales of products such as frozen yoghurt have recently increased rapidly. However, the joint venture will focus initially on France and Spain, where it plans to launch products soon.

Sales will be expanded to other countries later. The two compa-nies said the worldwide market for the venture's products, described as "combining the ideal properties of yoghurt and ice cream", could eventually amount to hundreds of millions of litres.

Marketing of the products is expected to rely heavily on the companies' leading brand names. Unilever's ice cresm brands include Motta in France, Frigo in Spain and Wall's in Britain, while BSN's main international yoghurt brand is Danone.

No figure was given for the ini-tial investment in the joint ven-ture, which will be equally owned and use existing facilities provided by the two partners. Based in Paris, it will be headed hy e steering committee of three managers from each company under e rotating chairmanship, whils Unilever will provide oper-

ational management.
Mr John Campbell, food industry analyst with County Nat-West, said the venture would probehly enjoy reasonable growth potential, though prospects in Europe were uncertain hecause the market was still largely undeveloped there.

BSN has relied increasingly on alliances and partnerships to enter new markets, such as Italy, China and Japan. However, Unilever has traditionally preferred to have full control of its busi-nesses. However, the Anglo-Dutch group recently formed a joint venture with PensiCo, the US soft drinks and snacks group, to sell canned iced tea.

Spanish energy group announces \$500m share issue

By Tom Burns in Madrid

REPSOL. tbe Spanish state-controlled energy group, is to raise et least \$500m through an international issue of shares that will reduce the government's ownership of the company

to less than 50 per cent. The share placing, which is likely to go ahead within three eral disposals of state shareholdmgs scheduled for this year as the government seeks to reduce its budget deficit by asset sales. Repsol said yesterday that Laz-

ards was advising in the design of the share offer and that issue managers would be decided shortly. The placing, aimed at institutional investors, is likely to marketed aggressively in the US, Europe - notably in the UK - and Japan. In e circular last month invit-

ing bids to lead the placement syndicate, Repsol indicated it was seeking to raise more than \$500m. At current market prices - Repsol is trading at \$24 e share, which is close to its historic high - the conglomerate would be putting some 7 per cent of itself on the market and the state-held equity in Repsol would fall from 54.5 per cent to 47.5 per

The placement has been made possible by last year's repeal of legislation that had made majority public ownership of Repsol Similar legislation has been

approved that allows public ownership of Tabacalera, the domestic tobacco producer and distributor in Spain, to drop below the 50 per cent mark.

1993 budget, the Spanish exchequer aims to raise \$1.3bn through the partial privatisation of state-controlled companies.

Analysts believe the Repsol placement will be followed by share offerings in Tabacalera, which is 53 per cent state-owned, and by Endesa, the large electrical utility, which is 67.5 per cent owned by the state.

Repsol, which is one of the most ectively traded stocks on the Spanish stock market, floated 26 per cent of itself in 1989 and last summer completed e very successful convertible offering aimed at small domestic inves-

it reported virtually flat profits in the first half of last year, a six month result that was considered "positive" when the weak trading of some of its larger rivals in the oil industry was taken into account.

Virgin may take US action as BA apology 'falls short'

By Peuf Betts,

MR Richard Branson will decide next week whether his Virgin Atlantic Airways will take any further legal action in the US courts against British Airways. Virgin said yesterday It had

received "an extremely brief confidential note" from BA which fell short of the the "act of good faith" it was seeking from its larger UK rival to show it had

changed its ettitude. Mr Branson, who yesterday met Mr John MacGregor, the UK transport secretary, is also seeking a commitment from the government to fair competition in the UK airline industry after the victory in the High Court last week in his "dirty tricks" libel

battle against BA. The ball was now in BA's court, a Virgin official said yes-terday, explaining that Mr Branson would review next week all options about action, if any, he intended to take. Virgin's next move would depend on the response of BA, its hoard is understood to have met to analyse the impact of the Virgin affair which is now under board investigation. A further meeting

is expected this week. Non-executive directors ied by Sir Michael Angus, the president of the Confederation of British Industry, have expressed deter-mination to establish the extent of the "dirty tricks" campaign egainst Virgin and to susure nothing similar happens again. Sir Colin Marshall, BA's chief

executive and deputy chairman, has also said BA wanted to establish a less confrontational rela-tionship with Virgin. in his talks with Mr MacGregor

yesterday, Mr Branson pressed for the establishment of a regulatory body to ensure fair competi-tion in the allocation of take-off and landing slots at London's Heathrow airport.

Mr Branson has campaigned for more slots at Heathrow to expand Virgin's long-distance international services in competi-tion with BA. He now hopes to use his victory in the courts to

press his case.
Virgin officials said yesterday that the airline's expansion plans had been frozen for the past 18 months because it was unable to secure more peak-time slots et Heathrow. In turn, Virgin last year put on ice plans to sell a 20 per cent stake in the airline to fund its expansion. The company said these would only be resurrected if it could secure the slots to expand its services.

Charles Leadbeater on consolidation in the Japanese car industry

Co-drivers needed on rocky road

Carrier Dalhater

Japanese motor marufacturers

Growth in domestic registrations: (% change).

120 -

sharp downturn in the A Japanese car market over the past two years is force ing manufacturers there to contemplate far-reaching changes of strategy, which could lead to a consolidation of the industry.

Japanese car drivers have been the main beneficiaries of fierce competition within an industry of 11 producers. The competition has forced Japanese manufacturers to levels of efficiency and quality which are the envy of their competitors.

That may be about to change. Japanese manufacturers are increasingly looking to alliances to help reduce competition and cut costs.

Late last year Honda and Isuzu announced an agreement to sell each other's vehicles, after Isuzu had said it would withdraw from passenger car production.

Last week Nissan and Mazda

confirmed they were discussing e plan to swap vshicles to cut development costs. Nissan is likely to suspend production of some light commercial vehicles and instead sell trucks supplied by Mazda. Mazda will streamline its range of vans hy taking supplies from Nissan.

Toyota and Nissan, the industry's two largest producers, are considering jointly developing an electric car, which could have long-term implications for collaboration over product develop-

These are the first responses to the downtnrn in domestic demand since 1990, which many industry executives believe could mark the start of a period of much slower growth in e maturing market

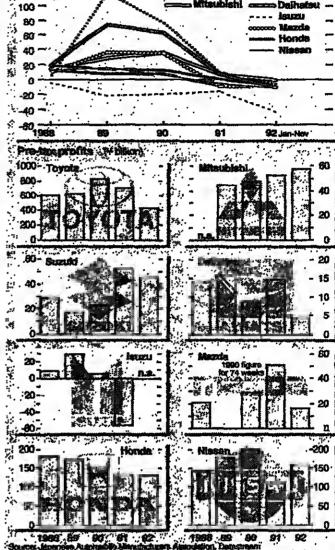
The slowdown comes as most manufacturers are starting to pay for the heavy investment of the late 1980s. Japanese car pro-ducers have traditionally relied upon expanding sales rather than reducing costs to raise profits.

Mr Jonathon Dobson, an analyst at Jardine Fleming securities, estimates the Japanese market needs to grow by about 7 per cent for the producers to avoid their operating profit margins being eroded.

Few helieve the market will sustain that growth. The industry is dividing into

two groups: those under pressure A select few appear to be weathering the downturn in reasonable shape. Toyota, the leading producer with about 41 per cent of the domestic market, has large cash reserves and a reputation for low-cost volume produc-

Mltsohishi Motors has increased its sales, partly thanks to its extensive but tailored product range which includes leisure



vehicles such as the Pajero. Suzuki sold more cars last year than the year before because it concentrated on the mini-car segment of the market.

The others - Daihatsu, Isuzu, Mazda, Honda and Nissan - are struggling. Many in the industry believe that Daihatsu, the minicarmaker, which has already retreated from the US market, may be incorporated into its par-

Nissan and Mazda are facing acute difficulties. In the late 1980s Mazda seemed to represent the model new carmaker, with an impressive array of redesigned products such as the popular MX-5 sports car. It boasts 4,000 permutations of car. Now it is paying for its image. Sumitomo Benk, which bas

parachuted a senior executive on to the company's board is breathhave exploratory talks with Citroën of France. Nissan, which made a pre-tax loss of Y14.2bn in the six months to the end of last September, has been losing market share largely because its sgeing model range is over extended

Ford are yet to produce a deal

but the company is understood to

Nissan sells 57 per cent fewer vehicles than Toyota, spread over 29 basic models, compared with Toyota's 26. The Cedric model comes with thousands of varie-tions; the Laurel has 86 different steering wheels and 173 types of steering column. To meintain this range Nissan needs a huge and costly array of parts and sup-

All producers have slowly begun to cut costs.

investment is being reined in and they have announced plans to standardise and reduce the numbers of parts they use by up to 45 per cent.

Agreements to share large components are spreading: Mazda is taking diesel engines from Isuzu. Wage costs are being restrained, partly by the spread of single shift working et many plants. As yet, however, no company has dared cut into the large white-collar overheads in offices and

owever this cost cutting is unlikely to boost profis unlikely to boost pros-itability, given the bruising competition in a declining market. The obvious companion step is to cut the pace of competi-

Mr Yoshifumi Tsuji, Nissan president, says the agreement with Mazda will cut development costs but in the long run it could lead the two companies to reduce the number of competing models on offer,

The next logical step would be to overturn the conventional wisdom of the late 1980s, which was that product cycles would inevitably sborten es producers rushed out new models to maintain market share. Stretching the life of a model could save huge sums in research and development costs.

However until the market leader Toyota signals that it may take such a step, the other companies will be loath to go it alone and profits will fall sharply.

Profits are under pressure in e slow growth market, opportunities for deep cost cutting are limited by labour practices and the costs of rapid product development are rising unabated. The laggards of the industry will have to start contemplating a more radical consolidation of the industry to allow them to keep up the pace of the leaders.

Eagle Star close to settling BBL litigation

By Richard Lapper in London

EAGLE STAR, the general insurance subsidiary of BAT Industries, is understood to be close to settling its long-running litigation with Banque Bruxelles Lambert, the Belgian bank

News of a possible settlement in the case, which concerns com-mercial mortgage indemnity pol-icles on property loans worth 2220m (\$341m), will hearten the company after last week's defeat in a legal battle with a Lloyd's

Judge Diamond raled in the Commercial Court last Thursday that Bagle Star must pay \$40m in potential claims arising from e reinsurance policy purchased by syndicate 640 in 1973.

In the BBL case, which centres on a disputed valuation of six properties, it is believed that Eagle Star could pay around £100m to settle, although this amount could be reduced following reinsurance recoveries. BBL brought the case after Eagle Star failed to honour policies taken out on six loans in 1989.

The settlement move follows the adjournment of the case last Tuesday in the 11th week of the hearing. Eagle Star will seek to expand its case against the valners of the six properties.

Losses on commercial and domestic mortgage indemnity policies bave contributed to Eagle Star's recent trading difficulties. Pre-tax losses were £394m in 1991, and £66m in the first nine months of last year. BAT Industries pumped £450m into the company to boost its sol-

Mr Michael Heath, Ragie Star executive director, said the Lloyd's ruling would heve no "financial impact".



ing down Mazda's neck. The car-

maker's pre-tax profits in the

first half of the year to the end of

March fell 73 per cent to Y3bn

(\$24.2m). The depreciation charge for investments such as its Hofu

production plant will rise 30 per

cent this year to Y88bn. Its slug-

gish sales are spread across five

sales channels which share few

costs. Its overseas operations are

less developed than the other car-

owned by Ford, the US manufac-

turer, has one of the smallest pro-

duction operations in North

America which leaves it bedly

placed to benefit from an upturn in the US market, it recently can-

celled plans for a separate luxury car sales network in the US. It is

also the only Japanese carmaker

to lack a production presence in

Europe. Long running talks with

Mazda, which is a quarter

INTERNATIONAL COMPANIES AND FINANCE

Trading in YSL halted amid stake sale speculation

TRADING in the shares in Yves Saint Laurent, the fashion and cosmetics company, and Elf-Sanoti were suspended yesterday amid speculation that YSL might be selling a significant share stake to Elf-

Elf-Sanofi, the pharmaceuticals and beauty products arm of the state-owned Elf-Aquitaine oil group, promised a statement and a press conference early this afternoon to explain the new development.

Officials at YSL were unavailable yesterday, but their president, Mr Pierre Berge, has made no secret of his desire to sell up to 15 per cent of the company.

Mr Berge's openness last autumn about his willingness to sell a significant stake to a "true partner" had led to some softening of the company's share price, and criticism from YSL minority investors.

However, in the past four weeks, YSL's shares have gained nearly a third, and yes-

a sizeable rise last Friday. Several months ago, Elf-Sanofi was canvassed as a possible huyer of the shares jointlyowned hy Mr Saint Laurent and Mr Berge, but was said to have been ruled out because it

Elf-Sanofi is essentially a pharmaceuticals company, hnt it has a perfume and beauty products husiness centred around its four marques of Roger & Gallet, Stendhal, Van Cleef & Arpels and Oscar de la Renta. The Elf-Aquitaine group is Itself a possible candidate for privatisation if French conservatives win the March parlia-

mentary election. In the first nine months of last year, Elf-Sanofi recorded a

trades conventional futures.

The products bave been sub-

mitted for regulatory review,

and the CME hopes to launch

them by June. The futures and

options will expire quarterly

and be quoted in terms identi-

Mr Jack Sandner, CME chair-

man, said: "The spot market

place as it stands is needlessly

cumbersome and inefficient. Each of these spot transactions

and rolls exacts a tremendous

toll on banks, in that they

involve considerable transac-

tional and operational

expenses, as well as the poten-

tial for costly mistakes in

actual payment flows. The

Merc's clearing house will

streamline this process by

automatically adjusting for the

roll, most likely in variation

cal to the interbank market.

Chicago seeks bigger share of forex market

By Laurie Morse in Chicago

THE Chicago Mercantile Exchange hopes to grah a bigger slice of the \$1,000hn per day global foreign exchange market with plans to offer futures and options contracts that resemble over the counter spot currency transactions.

The new contracts, known as "rolling spot" contracts, will be four times the size of the CME's existing foreign currency products, a feature that should make them more palatable to the institutional traders who dominate foreign

exchange trading. The exchange plans first to offer rolling spot futures and options based on sterling with contract size of 250,000, and then extend the concept to five other currencies on which it was unwilling to leave the company's two founders in

management control.

12.5 per cent rise in turnover to FFr15.8hn (\$2.85bn), while YSL's predominantly luxury business has been much harder hit hy the economic turndown with profits falling to just FFr2.6m in the first half of last year on sales of FFr1.39bn.

> measured by the Affärsvärlden general index. At January 15, the company calculated its own net worth at SKr74 per share, or a total of SKr3.52bn

SKr408m from SKr457m, while

interest costs climbed to

SKr694m, compared with

SKr585m. An injection into a

subsidiary amounted to a fur-

The group noted that the adjusted value of its share

portfolio fell by 23 per cent to

SKr5.76hn, compared with a

fall of just 1 per cent for the

Stockholm stock market as

ther SKr400m.

Custos

SKr398m

By Christopher Brown-Humes In Stockholm

CUSTOS, the Swedish

into red

slides

year earlier.

Volvo and Skanska launched a hid for full control of Custos last October in what many thought would be the first step in the dissolution of crossshareholding links hetween the two groups.

The offer was later ahandoned after it was rehuffed by hig shareholders and share prices began to recover.

However, a joint hid for a minority stake in a smaller investment company, Protorp, did proceed successfully after tbe original terms were

Skanska and Volvo said yesterday they now owned 99.6 per cent of Protorp's shares, including those held hy Euroc, Skanska's building materials affillate. The offer was worth SKr200 per share, valuing the company at SKr2hn.

Sweden faced with mixed economic signals

Christopher Brown-Humes reports on the aftermath of the flotation of the krona

FEW weeks ago, Swe-den's decision to float den's decision to float the krona seemed to thrust a ray of light into the gloom enveloping the country's corporate sector. Since then, the mood has been tempered by the realisation that 1993 is still going to be an awful year for the Swedish economy, and that even in 1994 recovery may

Investment gronp, slid to a SKr398m (\$55m) loss after tax be a very slow husiness. The signals are nothing if in 1992, a sharp reverse from not mixed. And the contrasting the SKr159m profit recorded a announcements recently from The group, which is majori-ty-owned by Volvo, the motor two of Sweden's leading industrial groups are a vivid illustra-

vehicle gronp, and Skanska, tion of this. Sweden's largest construction company, blamed the loss on The message from SKF, the world's leading roller bearing high interest rates, turmoil in manufacturer, was that worsening conditions in key Eurothe capital markets, and a pean markets would reduce downtnrn in the Swedish demand for its products in stock market. The group cnt 1993, forcing a further 2,000 in Its dividend to SKr1 from staff cuts. Custos said income fell to

In contrast, SCA, Sweden's second largest forestry group, headed hy Mr Sverker Martin-Loff, upgraded its 1992 results forecast, thanks to currency factors and the benefits of costcutting. If nothing else, these

announcements emphasise the schizophrenia that characterises corporate Sweden at present. For most of the big international groups, which dominate the country's business sector, exports and profits should rise quite sharply this year thanks to the benefits of a devaluation that has an far seen the Swedish krona fall by around 20 per cent.

However, because demand is likely to he weak in many European countries, and par-ticularly in Germany, Sweden's largest export market, the benefits will not be as great as they were in 1982, the last time Sweden devalued, when a strong international recovery was under way.

At the same time, a weaker currency will do nothing to alleviate the plight of the thousands of small and mediumsized husinesses that depend on the domestic economy. which in 1993 is likely to be as

Sweden is heading for lts third consecutive year of nega-tive GNP growth this year, with investment and private consumption set to fall further, and unemployment still heading nowards.

Thus 1993 will he a year when the performance of exporters such as the car, engineering and forestry companies, will stand out sharply from other sectors of husiness. like banking and construction. Since devaluation, very few

of Sweden's leading exporters are not competitive, because. in addition to the advantage of a weaker currency, they have also benefited from rationalisa tion, low wage increases, and cuts in employers' social security contributions. One estimate suggests that Swedish corporate competitiveness this year will improve hy more than 15 per cent as a result.

For pharmaceutical companies like Astra and Kahl Pharmacia (part of Procordia). which were faring well even before the krona was floated, the devaluation provides an extra boost. For other groups, snch as the car companies Volvo and Saah, the steel groups SSAB and Avesta Sheffield, and the forestry companies Stora, MoDo and SCA, it means a return to competitiveness and in many cases a return to profit after the diffi-



Sverker Martin-Loff: npgraded results forecast of SCA

culties of the past two years, because they are all big net exporters from Sweden.

For a third category, such as SKF and the big white goods manufacturer Electrolux, the benefits are not so positive because they are not such hig exporters from Sweden and demand in many key markets remains weak.

or a loss-making company like Volvo, prospects have been transformed by the combination of productivity improvements and currency movements. At its Torslanda car plant, it now takes 50 bours to produce a car compared with 75 hours last year. The company has estimated that a 13 per cent devaluation of the krona is worth some Skr2bn in the long term.

In the pulp and paper sector, there has been a similar transformation. Both MoDo and Stora can expect to be more than SKrlhn (\$137m) a year

better off following the devaluation if the krona stays at its

current level. These and other export-orientated companies have a hig weighting on the Stockholm stock exchange, which is why Swedish share prices have risen hy nearly 30 per cent

since the krona floated. It also explains why Alfred Berg Fondkommission, the Stockholm-hasad securities house, calculated last month that total profits for the top 35 Swedish companiea conld return to 1991 levels of SKr36bn in 1993 before advancing further to SKr63hn in 1994, basing its forecast on a 15 per cent eventual devaluation and a rate of SKr7.50 to the dollar.

The figures would represent a strong recovery from the 1992 level of SKr7.6hn, although even the 1994 figure only takes the companies back to where they were in 1989.

By contrast, the outlook for the domestic economy is hleak, not least because of the crisis in the banking sector.

Many commentators expect credit losses in the banking system to be higher in 1993 than in 1992, and no-one will have been encouraged hy last month's announcement from SE Banken, Sweden's largest commercial bank, that it might need support from the state. Such difficulties could tighten the credit squeeze on the corporate sector considerably.

Meanwhile, construction activity is set to fall further next year, prompting an increasing number of calls for major infrastructure investment programmes to help get revival under way.

The best hope for the country's domestically-orientated

companies is that interest rates will come down sharply in 1993. There has been some relaxation already, although the central bank is expected to keep a generally tight grip on monetary policy to hold down

The hope is that a combi-nation of lower interest rates and higher exports will hring about discernible signs of recovery next year in time to boost the re-election hopes of the coalition partners who form the minority govern

ment. However, the longer term prospects for Sweden's recovery will depend on how quickly it can cut its rising budget defi-cit and reduce public expenditure as part of an overhaul that promotes an enterprise culture

lt will also depend on whether it has learned from the mistakes of the past. In public, at least, few industrialists were calling openly for a devaluation before the event; precisely because they feared the long-term consequences

would be negative. Mr Sten Westerberg, senior partner at Maizels Westerberg. says previous devaluations have proved wasted opportunities for Swedish industry, as eventual overheating and cost inflation have aroded the initial benefits.

The same mistakes will not necessarily he repeated this time, as inflation pressures are much lower in a depressed international business climate. But there are many who still fear that they will recur and that Sweden will once again

Philips' lighting division back in the black in North America

By Ronald van de Krol

PHILIPS, the Dutch electronics group, said yesterday that its lighting division managed to make an operating profit in North America in 1992 for the first time since 1984

Mr Einar Kloster, president of Philips Lighting, also said that the company had "caught up" with the competition in new lighting products such as balo-gen lamps after falling behind by about two years at the beginning of the

Mr Kloster declined to give further details of the lighting division's 1992 results ahead of the scheduled release of group results March 4. Philips has been involved in a reorganisation in the US after acquiring Westinghouse's light bulb factories in 1983.

He predicted that 1993 would prove to

be a "very tough" year for lighting.
Philips' lighting business put in a strong performance in 1992, resuming

its traditional role of "cash cow" after faltering briefly in 1990. In the first nine months of 1992, the division posted a 63 per cent increase in operating profit to F1 602m (\$325m) which helped to compensate for part of the downturn in the group's key consumer electronics husl-

Mr Kloster described the world lighting market as stable, with Philips, General Electric of the US and Osram, a subsidiary of Siemens of Germany, holding roughly equal sbares of the

market for conventional light hulbs, Mr Kloster said Philips must use the "window" opened by its competitors' efforts to digest recent acquisitions to concentrate on becoming a low-cost producer. The Dutch company's aim is to equip its European factories to produce at least 200m light bulhs a year.

It has already announced plans to close its light bulb factory in Dijon. France, and redistribute this capacity among the group's five other European

This announcement appears as a matter of record only.

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NOTICE OF REDEMPTION

MORTGAGE INTERMEDIARY NOTE ISSUER (No. 1) AMSTERDAM B.V.

£50,000,000 Mortgage Backed Floating Rate Notes 2010

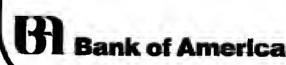
NOTICE IS HEREBY GIVEN by Bank of America National Trust and Savings Association as Principal Paying Agent to the holders of the above Notes that, pursuant to the Trust Deed dated 5th February, 1985 under which the said Notes were constituted, outstanding Notes in aggregate principal amount of £1,175,000 have been selected for redemption on 18th February, 1993 at their principal amount of £25,000 bearing the following serial numbers:

MUITIO	Grą.								
169	418	1017	1048	1111	1192	1247	1372	1444	1728
384	896	1039	1071	1129	1219	1272	1385	1459	1765
398	912	1042	1074	1160	1227	1320	1397	1642	1703
401	917	1043	1094	1164	1228	1353	1403	1666	
416	927	1047	1108	1178	1246	1371	1429	1723	

Notes bearing these serial numbers should be surrendered to (i) Bank of America National Trust and Savings Association, 1 Alie Street, London E1 8DE or at the option of the holder (ii) to the offices of Bank of America National Trust and Savings Association in Antwerp, Zurich or Banque International A Luxembourg as specified thereon.

After 18th February, 1993 any unmatured Coupons relating to such Notes (whether or not attached thereto) shall become void and no payment shall be made in respect of and no talon shall be exchanged for such Coupons. Notes outstanding after 18th February, 1993 will aggregate to £5,975,000.

Dated: 19th January, 1993.



REPOLA LTD (formerly in the name of United Paper Mills)
US\$ 100,000,000 Floating Rate Notes Due 1995

Notice is hereby given that the Rate of Interest has been fixed at 3.65% and that the interest payable on the relevant Interest Payment Date July 19, 1993 against Coupon No. 7 in respect of US\$100,000 nominal of the Notes will be US\$1,835.14.

January 19, 1993, Landon By: Citiba*n*k, N.A. (Issuer Services), Agent Bank **CITIBAN**(C

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U.S. \$300,000,000



Crédit Lyonnais

Subordinated Floating Rate Notes Due 2000

Interest Rate Interest Period 5% per annum 19th January 1993

Interest Amount per U.S. \$10,000 Note due 19th July 1993

19th July 1993 U.S. \$251.39

Credit Suisse First Boston Limited Reference Agent

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US\$ 150,000,000 Guaranteed Floating Rate Capital Notes due 2001 Payment of principal and interest guaranteed by



In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 19, 1993 to July 19, 1993, the Notes will carry an interest rate of 5%

The interest amount payable on the relevant interest payment

date, July 19, 1993 against coupon No. 15 will be US\$ 251 39 per Note of US\$ 10,000



Aires Finance Limited USD 39,291,000

Secured Floating Rate Notes due 1993 to 1995 For the period from January 15th, 1993 to July 1st, 1993 the Notes will carry an interest rate of 5.515625% per annum with the following

interest amounts:						
		Payment iods	Interest au per US:			
			1,000	10,000	100,000	
January 15, 1993	_	February 01, 1993	2.53	25.32	253.23	
February 01, 1993	_	March 01, 1993	4.05	40.52	405.17	
March 01, 1993	_	April 01, 1993	4.35	43,54	435.39	
April 01, 1993		May 04, 1993	4.49	44.94	449.44	
May 04, 1993		June 01, 1993	3.69	36.94	369.43	
June 01, 1993		July 01, 1993	3.83	38.31	383.05	

Banque Parihas Luxembourg Société Ano*n*yme Agent Bank



Guaranteed Floating Rate Notes Due 1996 For the six months 19th January, 1993 to 19th July, 1993 the Notes will carry an Interest Rate of 514% per annum and Coupon Amount of U.S. \$158.38 per U.S. \$6,000 Note, payable on 19th July, 1993.

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Notice is hereby given that the notes will bear interest at 3.1375": per annum from 19 January 1993 to 19 July 1993. Interest payable on 19 July 1993 will umount to US\$172.83 per US\$10,000 note and US\$4,320.75 per US\$250,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

BRADFORD &BINGLEY

\$200,000,000 Floating rate notes due 1999

Notice is hereby given that the notes will bear interest at 7.125% per annum from 15 anuary 1993 to 15 April 1993. Interest payable on 15 April 1993 will amount to \$175 68 per \$10,000 note. Agent: Morgan Guaranty Trusi Company **JPMorgan**

HMC Mortgage Notes 3 \$11,500,000 Class 8

rate notes due July 2018 Far the interest period 15 January 1993 to 15 April 1993 the nates will bear interest at 8.3125% per annum. Interest payable on 15 April 1993 will nount to \$235,710.62 per \$11,500,000 principal amount

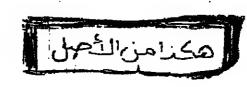
Mortgage backed floating

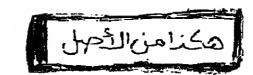
Agent: Morgan Guaranty Trust Company **JPMorgan**

Den Danske Bank AF/1871 AS ¥4,000,000,000 Floating Rate Notes

Due 1994

Notice is hereby given that the Rate of Interest for the Interest Period from 19th January, 1993 to 19th July, 1993 is 4.56% per annum. Interest payable on 19th July, 1993 will amount to V211,249 per ¥10,000,000 principal amount of the Notes. Agent Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo





INTERNATIONAL COMPANIES AND FINANCE

Five-fold rise in net earnings for **NationsBank**

By Alan Friedman In New York

NATIONSBANK, the large south-eastern US regional banking group formed in 1991 by the merger of C&S Sovran and NCNB, yesterday reported \$1.15hn of net earnings for the whole of 1992, more than five

times the previous year's level. The bank's earninga had been held back in 1991 by heavy merger-related restruct-uring charges and provisions for bad and doubtful debts.

In the fourth quarter of 1992, NationsBank said net income was \$234m, or 92 cents a share, even after a one-time \$50m pretax provision caused by closures and merger-related consolidations. In the same quarter of 1991, it suffered a loss of \$244m, or\$1.08 a share.

NationaBank is the fourth-biggest bank in the US, with total assets of \$118bn and more than 1,700 offices in nine states and the District of Columbia. Mr Hugh McColl, chairman and chief executive, yesterday described its first full year of operations as "extraordinarily

successful" and said the bank

was ahead of schedule, since

300 of some 400 planned merger consolidation projects had

already been completed.
Ho noted that the hank's level of non-performing assets had declined by 29 per cent in 1992, to \$1.99bn. Bad deht pro-visions declined to \$1.45bo from \$1.8hn in 1991, while net write-offs fell to \$866m in 1992, from \$1.3bn the previous year.

Mr McColl said NationsBank was proceeding with expansion plans, including a deal with Dean Witter, the hrokerage house partly-owned by Seara Roebuck, to form a joint venture retail securities company. Total shareholdors' oquity rose by 20 per cent in 1992, to

\$7.8bn. The bank's ratio of capital to assets under the Tier I regulatory measure used in the US stood at a healthy 7.54 per cent at year-end. Net interest Income

improved by 6 per cent last year, to \$4.19hn, tbanka to wider spreads being enjoyed by the entire US banking industry. Non-intarest income increased by 10 per cent in 1992, to \$3.97bn.

On Wall Street, Nationa-Bank's share price declined by \$1/2 to \$51% before the close.

Trial arbitration scheme for Canadian securities

By Barnard Simon

America

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CANADIAN securities dealers and the Vancouver Stock Exchange are launching an experimental arbitration service to provide a quick and relatively inexpensive way of resolving disputes between stockbrokers and clients.

The service initially will be confined to claims of less than C\$25,000 (US\$19,500).

Members of the Investment Dealers' Association, including most of the firms trading on the VSE, will be required to submit to binding arbitration if this is requested by a disgruntled client. Neutral arbitrators will be provided by the British Columbia International Com-

mercial Arbitration Centre. The new scheme is an effort to defuse criticism that the self-regulatory efforts of securities dealera and atock exchanges bave failed to provide adequate protection to investors or sufficiently harsh

penalties on wrongdoers. Under the rules, the arbitrator will be required to submit his findings within 60 days of a hearing. The arbitrator will also apportion costs, which are typically expected to total about C\$1,200, excluding legal fees should the parties decide to be represented by lawyers. The IDA said it would set up

Bank of **Montreal** increases dividend

By Bernard Simon

BANK of Montreal, which posted the strongest earnings growth among Canada's six big banks last year, has raised its quarterly dividend and s a 2-for-1 share split. BMO announced ot its

annual meeting yesterday that the quarterly dividend would rise to 56 cents a share from 53 cents. The increased divi-dend will be paid to sharehold-ers of record on Fohrnary 8. The share split will be achieved by declaring a 100 per cent stock dividend, to be

ers of record on March 5. BMO lifted net earnings by 7.5 per cent to C\$640m (US\$499m) in the fiscal year to October 31, compared with an average 50 per cent drop for the big six. It also posted the secnnd-bighest return on

paid on March 20 to sharohold-

Although its loan-loss provisinns rose substantially iast year, BMO has a smaller expo-sure than most of its competitors to Olympia & York and other troubled property

shareholders' equity, of 14 per

Except for problems with a western Canadian coal mining company, the bank said in its latest annual report that "the rest of our portfolio withstood economic pressures very well." BMO is gradually integrat-

ing its services with those of its wholly-owned US snbsidiary, Chicagn-hased Harris Bankcorp. The two banks have merged their services to large corporate clients.

BMO's new trust-company subsidiary, officially launched last week, is expected to draw heavily on Harris's experience in fiduciary services.

• PWA's Canadian Airlines International is reinstating 14 of the 32 flight segments it had suspended from its schedule earlier this month in an effort to tackle overcapacity. "We cannot maintain

reduced capacity in the double digits when Air Canada a national arbitration system if responds with a 3 per cent the British Columbia project reduction." sald a Canadian Airlines official. proves successful.

Strong final quarter lifts Primerica to \$593m

By Patrick Horverson In New York

PRIMERICA, the diversified US financial services group, yesterday announced a 16 per cent increase in fourth-quarter profits to \$153.3m, in spite of a decline in hrokerage earnings. The strong final quarter took Primerica's full-year 1992 profits to 593m, a 24 per cent improvement on

tho \$478.8m earned in 1991.

A net gain of \$68m from the sale of securities holdings and other assets, comhined with lower debt costs and solid increases in profits at Primerica's consumer floance and insuranco services divisions, halpod to offset the drop in net income at the group's

Smith Barnoy stockhroking unit. Smith Barney roported a profit of \$38.2m in the final quarter, down from \$49.8m a year earlier.

Tho decline in earnings attributed to lower trading revonues, the result of markot conditions that were less favourable than in the fourth quarter of 1991, which was a particularly strong period for US equity

markets.

Although profits tailed off in the final quarter, Smith Barney still produced record earnings of \$170.1m for the full year, well up on the previous high of \$152.4m reported in 1991. Large incroasoa in hroking.

investment hanking and aaset

management revenues were hohind the

record performance.
Elsewhore in the Primorica group. earnings were higher than a year ago. Consumar finance services recorded net income of \$51.3m in the fourth quarter, up 13 per cent on the same period a year earlier and once again the result of cost containment measures and lower loan loss provisions.

Full-yoar earnings at conaumor finance aarvices reached \$193.5m. up from \$175m in 1991.

Profits from insurance services in the fourth quarter rose 19 per cent to \$46.8m, taking the division's annual profits to \$187.3m, compared with \$174.8m in 1991.

Sales of new life insurance remained flat, hut mutual fund sales soared in tho final three months of the year, boosting total sales for the year to \$1.1ho, up 36

per cent on 1991. Corporate expenses dropped sharply in the quarter, falling from \$16.8m a year ago to \$6.7m, thanks primarily to low US interest rates, which reduced the cost of Primerica'a doht. Overall, expensos in 1992 foll 51 por cent to

\$48.2m Primerica also said yesterday it planned to take a charge of ahout \$15m in the first quarter of this year to cover the costs of adopting new accounting procedures relating to post-retirement

Retailing revolution south of the border

Mexico's larger store chains are joining forces with US groups, writes Damian Fraser

PEND a Saturday at Mexico City's Club Aurrera, tho memhershiponly discount store half-owned hy Wal-Mart, and you may never want to ahop again. You will have to wait an hour to enter the car park, fight off customers to find a trolley, and spend another hour in tho queue for a cashier.

Inside will be thousands of husinessmen stocking up on office aupplies, merchants buying supplies for their own shops, and elegant housewives buying imported food and

Company executives proudly say the Polanco Club Aurrere sells more per square metre tban the most successful Sam's-Clnb (Club Aurrera's twin) in the US.

Wal-Mart's outstanding success is the first sign of a revolution in Mexican retailing, spurred by competition in the sector, the opening of the economy to imports and the impending North American free trade agreement.

Small corner stores are losing business to the supermarkets. In turn, small supermarkets are being swallowed up by a handful of large Mexican chains. And the large chains are forming alliances with the giant US retailers.

Wal-Mart's partner is Cifra, Mexico's largest retailer: Price Club, the US warehouse club, has a similar venture with Comercial Mexicana, the thirdlargest Mexican retailer: Gigante, Mexico's second-larg-



Consumer choice: US stores gain access to an emerging market

est retailer has formed a joint venture with Fleming, the largest US wholesaler.

Not to be outdone, Liverpool, Mexico's up-market retail chain, announced in December a joint vecture with K mart. They intend to invest \$500m to build 100 K mart stores in

All these joint ventures have much the same purpose. As Mr Juan Carlos Mateos, planning director at Gigante, explains: They have the know-bow and we have the know-who."

The US retailers are gaining access to an emerging, consumer-starved market of 85m people, where profit margins are around 6 per cent on sales - around double those in the US. The Mexicans, in turn, have immediate access to US technology, distribution and huying-power.

The big winners are Mexican consumers, who can buy a vast array of (ofteo imported) products at almost wholesale prices.

ut many, especially Small, undercapitalised Mexican suppliers will suffer. The big retailers, unlike the corner stores, buy in bulk or not at all; are quick to import if quality and price are better ahroad; and expect goods to be packaged to their taste, with bar codes added, and to be delivered at the time

they say. Wal-Mart and Cifra have set the trend, opening their first Club Aurrera last March, with two more soon afterwards. They plan to launch another higher. Fleming is helping six before the end of this year. Gigante scan goods as they In June, Cifra and Wal-Mart enter and leave the shop, thus extended their joint venture helping control stocks, and and formed two jointly-owned companies. The first is adminadvises on the lighting and layout of the stores, says Mr istered by Cifra, and consists of Wayne Epperson, head of the new Cifra supermarkets under ioint-venture. existing Cifra brands: the sec Bnt Mr Eppersoo is in little doubt that Fleming could not onter Mexico without help ond is administored by Wal-Mart, and comprises Wal-Mart

supercentres, Club Aurrera, from Gigante, He, like Mr Mateos, hints one day the joint distribution centres and an venture will be extended to import-export company. Cifra saya it will benefit from include other Gigante stores. Wal-Mart's technology that iverpool's joint venture should enable it to control stocka better and increase with K mart is perhaps turnover. Longer term, it hopes

Wal-Mart has "tho best dis-

tribution system in the US",

Mexico Clty, and "will help Cifra hecome a national

Gigante has already opened

Supermart) with Fleming in

the small town of San Juan del

Rio, with another three expec-

ted to open by April. The com-

pany hopes to open about 10

Supermart stores a year, and

to have 50 stores in operation

in five years, with sales of

The company is aiming at

middle-size Mexican cities,

where there are fewer super-

markets and profit margins are

the most incongruous. Wal-Mart will help Cifra since Liverpool is an upmarket expand from its base in central department store chain but Mexico by improving distribuwill be managing K mart-style tion channels, says a company food and general goods stores. "The joint venture." says Mr Michol Marcos, Liverpool's director-general, of Liverpool says Ms Christine Aimer, an

"will enable us to expand into analyst at Baring Securities in different markets," Like all US and Mexican retailers. Liverpool is betting that Mexico's ecocomic reforms will raise the purchasa non-membership "price-impact" supermarket (called ing power of the middle- and lower classes, making US-style

mass-market discount stores profitable. Significantly, Liverpool and Cifra are using their US alliances to promote Mexican goods in the US through jointly-owned export-import companies. Both companies know that unless Mexico's relish for consumer goods is matched by increased export revenues, the future for the retail sector is

JAPANESE FINANCIAL MARKETS

The FT proposes to publish this survey on March 2 1993
Impanese markets like their European counterparts have been bit by the current world recession but Japan remains a major economy with enormous potential.
In a special survey, the Financial Times reports on the latest developments affecting Japanese financial sectors \(\times \) a vital perspective for anyone wanting to do business in Japan.

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FT SURVEYS

Den norske Bank

U.S.\$75,000,000

January 19, 1993, London By: Crubank, N.A. (Issuer Services), Agent Bank CTTBANCO

(Formerly Bergen Bank A/S) (Incorporated in the Kingdom of Norway with limited liability)

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(with the right to subordinate)
Notice is hereby given that the interest payeble on the relevant interest Payment Date, February 16, 1993 for the period August 13, 1992 to February 16, 1993 against Coupon No. 15 in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$94.76 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$4,738.00.

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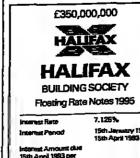
is our 47th

Tha 1993 first quarter dividend of 40¢ per share on the Common Stock will be paid March 9 to enackholders of remote on Full natry 24. About 114,000 stockholders will share in our earnings. Karl A. Stewart, Vice President and Secretary

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SGA SOCIETE ACCEPTANCE N.V. FRF 300.000.000 REVERSE FLOATING RATE NOTES DUE OCTOBER 15,1997 For the period January 15, 1993 April 15, 1993 the new

April 15, 1993 Coupon nr. 3 Amount: FRF 10 000 for the danomination of FRF 1 000 000 THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP LUXEMBOURG

Brother Industries falls into the red

By Robert Thomson in Tokyo

BROTHER Industries, the Japanese office equipment and sewing machine maker, yesterday reported a full-year operating loss of Y1.27bn (\$10.8m), the first since its listing 31 years ago and a sign of the extreme pressure on the country's machinery

makers The company managed to register a pre-tax profit in the year to eod November of Y1.1bn, down 69 per cent, but said a 2.7 per cent fall in sales to Y160.8bn was responsible for the turnround from an operating profit of Y481m in the pre-

Having announced a

restructuring plan last year. under which the product line is to be trimmed by 30 per cent and 10 per cent of workers are to be transferred to new ventures. Brother is under pressure to make deeper cuts to bolster profits.
It said yesterday that execu-

tives' bonuses would be halted, but the real problem was the company's shrinking sales base and the increasing competition in the office equipment market, which had been targeted for sales

Sales have now fallen for three consecutive years, and the ambition to rely increasingly on sales of office equipment and other industrial machinery has been undermined hy the sharp fall in capltal spending by Japanese com-

Brother said domestic sales fell 8.5 per cent over the year, and while exports to the US Increased, there was weaker demand from Europe.

Domestic demand for industrial sewing equipment bas been burt by the mounting pressure on local garment makers, whose sales have fallen because of the increasing quality of low-cost imports from China.

For the current year, sales are expected to decline by a further 2.3 per cent to Y157bn. while pre-tax profit is forecast to rise 64 per cent to Y1.8bn.

• Omron, a Japanese manufacturer of control components is to embark on a three-year streamlining plan that includes reducing capital investment in plant and equipment and overall staffing, AP-DJ reports

from Tokyo. The plan will allow Omron to see group earnings rise even if sales growth is flat, the com-

It added that the move would reduce staffing at group com-panies by 1,500, or 9.4 per cent. The Omroo group employs about 16,000.

The company said Omron also planned to cut capital investment at group companies by 33 per cent to Y10bn a year from Y15bn annually.

Glaxo lifts investment in BioChem Pharma

GLAXO HOLDINGS, through its main Canadian subsidiary, has put a further C\$30m (US\$23.4m) Into BioChem Pbarma, a Montreal drug research group, by exercising an option on 3.9m BioChem shares, writes Robert Gibbens

in Montreal. Glaxo took the option nearly three years ago when it backed BioChem's 3TC anti-Aids drug with a commitment of C\$125m for development. The exercise price was C\$7.80 a share, against BioCh-

em's market price of around C\$20 a share last Friday. Glaxo now holds 17 per cent of BioChem and has invested e total of C\$72m so far in equity

and research money. The agreement between both companies covers BioChem compounds for viral diseases

Rong Yiren to

MR RONG YIREN, chairman of China's state-owned China International Trust and Investment Corp (Citic), is to retire, according to a senior official of the listed Hong Kong unit, Citic Pacific, Reu-

MR RONALD COLE has resigned as president, chief executive and a director of Hawker Slddeley Canada, AP-DJ reports.

The resignation, announced reason for the resignation.

Qantas to axe 1,835 in cost-cutting programme

By Kevin Brown in Sydney

QANTAS, the government controlled Australian airline, plans to make 9 per cent of its workforce redundant over the next two years to help cut costs hy A\$158m (US\$108.9m) a

Yesterday's announcement follows a review by Coopers and Lybrand, the accounting firm, which said the 1,835 redundancies would save A\$95m a year. The remainder of the savings are to be achieved hy increasing effi-

ciency. The review was set up after the merger of Qantas and Australian Airlines, the govern-ment-owned domestic airline,

HIGHLANDS Gold, the Papua

New Guinea mining company, yesterday blamed falling gold

prices and lower sales for an

18.6 per cent cut in net profits

to K21.9m (\$22.5m) for the six

months to December 13.

Highlands, 65 per cent owned hy MIM Holdings, the

Australian resources group,

has a 30 per cent stake in the

Porgera gold mine, which is

in September. The two airlines have already shed a total 5,000 staff in the past 18 months. Mr John Ward, Qantas chief executive, said the savings were essential to increase efficiency in the run up to the flotation of the government's 75 per cent shareholding.

expected later this year. "The Qantas group can currently be counted among the top 10 airlines in the world. The simple truth is that we must continue to improve our productivity by 5 per cent per year to retain this position," he

Mr Ward said Qantas wonld shortly begin discussions on potential synergies with British Airways, which recently

Highlands Gold slides 18.6%

the focus of a dispute with the

Net profits soared 78 per cent

to K51.86m in the year to

end-June, following Porgera's

first full year of production, in

which output was significantly

However, confidence in the

Porgera project was shaken in

November when the PNG

government said it wanted to

increase its 10 per cent holding

PNG government

higher than expected.

to 30 per cent.

acquired a a 25 per cent stake in the airline. He said the discussions could lead to further

Qantas said it hoped the trade unions would co-operate with the redundancy programme, which will be delayed until early next month to give them time to respond. The airline hopes to achieve at least 60 per cent of the job losses through voluntary redun-

dancy. Qantas recorded a net profit of A\$137m in 1991-92, but Ans. tralian suffered a loss of A\$38.4m, mainly because of recession and fare-cutting following the deregulation of Australian domestic aviation in

Highlands and its two

joint-venture partners, Placer

Pacific and Renison Goldfields

Consolidated, have resisted the

government, and are holding

protracted talks on the issue in

Port Moresby. Highlands also holds about

30 exploration licence areas in

Papua New Guinea and it is

negotiating with the

Soeryadjayas sell 42% stake in Astra

By William Keeling in Jakarta

THE Soeryadjaya family yesterday sold over 100m shares in Astra International, which dominates Indonesia's vehicle sector, to a 19-member consortium in a deal worth at least Rp1,000bn (\$484m).

In a flurry of trading yesterday, 102.5m Astra shares, 42 per cent of the company, passed through the market at Rp10,000 a share.

The sale valued the shares at about 30 times estimated 1993 earnings, compared to the market average of 15 times, and coincided with further bad news on vehicle sales. Astra yesterday revealed sales down 30 per cent year-on-year in the 12 months to last November to

Sega upgrades

profit forecast for

current fiscal vear

SEGA Enterprises, a leading

Japanese video game maker

has revised upwards its earn

ings forecasts for the fiscal

year ending March 31, AP-DJ

The company says it is see-

ing strong demand for its

arcade-siyle video games

worldwide and home-use units

reports from Tokyo.

Y55hn, up 64 per cent.

overseas.

The Soeryadjays family, founders of Astra and, until last month, its majority shareholders, still hold an estimated 12.4m shares. They may be forced, however, to sell this stake to repay depositors of their privately-owned, hankrupt Bank Summa, which was ordered into liquidation in

December owing Rp1,600bn. Details of yesterday's transactions have not heen released but brokers believe the four main purchasers, taking 49m shares, were companies controlled by Mr Prajogo Pangestu, a timber tycoon; Mr Liem Sice Liong, who runs the Salim Group; Mr Henry Pri-badi, head of the Napan plastics and petrochemicals group; and Mr Murdaya Po, who runs Berca, a light indus-

try and electronics group. Brokers say Bank Danamon,

a publicly-listed hank, has taken 5m shares, while Bank Exim and Bapindo, both stateowned banks, have bought 10m shares each. State-owned companies now own 27 per cent of

While yesterday's sale has resolved the company's ownership crisis, brokers say Astra still faces hard times.

The bigh sale price, "increases the likelihood the new owners will reatructure the company, perhaps hy selling-off assets," said one foreign broker. The sale was at a pre-mium to Astra shares traded on the regular market which closed last week at Rp9,000 a

share. Bankers to Astra, which has

BCE to dispose of SHL shares

hi-tec and packaging group in the mid-1980s. BCE, then still

on a diversification course,

invested C\$400m in SHL and

Kinburn equity and loans. But

Kinhurn failed early in the

recession and BCE wrote down

its investment by C\$224m in

Early in 1991, it planned to

raise its 25 per cent stake up to

60 per cent and use a revamped

SHL as the data processing

centre for Beli Canada, its tele-

phone unit. But the plan ran

into opposition and BCE

Proces for electricity determined for the purposed of the electricity feeting and existement extraopostemity in England and Wester Provident Proc for Tall Proces for Trade Trades on IECLS 0 07 22,125

loans and facilities from foreign banks of more than \$900m, remained cautious about the ownership change, having earlier expressed reservations about some of the buyers. Those looking to Toyota, Astra's principal joint-venture partner, for a lead were disappointed.

The Soeryadjayas have placed 20m Astra shares in escrow while negotiating with Toyota for their sale. Toyota had expressed reluctance to buy the shares until the identity of other new sharebolders was confirmed.

A Toyota official said yesterday the company remained undecided as to whether to huy the shares and is "still considering . . . whether, or how, to assist Astra International".

decided to sell, SHL is now

expanding fast in the US and

Europe under new manage-

Bell Canada has formed Bell

Sygma as a data processing

and telecommunications

systems management and ser-

vice unit, Its own DP

operations are being trans-

ferred to Sygma. BCE is con-

centrating on competing with

Unitel, now 20 per cent owned

by AT&T. In the long-distance

market and in huilding its

glohal telecom business.

ment and is profitable again.

retire as Citic chairman

ter reports from Hong Kong. Mr Rong, known as China's

"red capitalist", has built Citic into an internationally recogulsed conglomerate with operations and investments throughout China and in other countries.

Rumours have long circulated in Beijing that he would retire to take up a senior government position.

Hawker Siddeley Canada chief quits

yesterday, was effective Jannary 15. The company did not name a successor and gave no

Foster's Brewery wins control of Cascade

By Kevin Brown

By Kevin Brown

ship with Cascade Gronp, wholly-owned by Wilson Neill, to acquire the Cascade name and a hrewery in Hobart. The joint venture company

by CUB.

Indonesian government to **Barlow Rand**

FOSTER'S Brewing, the Australian beer group, yester-day announced a deal with Wilson Neill of New Zealand which will give it control of Tasmania's Cascade brewery. Foster's said Carlton and United Brewerles (CUB), its wholly owned subsidiary, would establish a 50-50 partner-

will be controlled and operated

Foster's said Wilson Nelll

receive A\$27m (US\$18.6m) for the Cascade name and the brewery, but would retain the Cascade group's other assets, which include fruit juice manufacturing, a second brewery in Launceston, and a chain of public

houses. The deal ends nearly a year of speculation about the future of Cascade, which is one of Australia's most popular boutique beers.

However, the agreement is subject to the approval of the Trade Practices Commission, which last year blocked a proposed outright sale of Cascade to CUB for A\$100m.

explore an area in northern

plans stock distribution

SHAREHOLDERS in Barlow Rand, South Africa's leading industrial conglomerate, voted unanimously to distribute by dividend a portion of the company's 22.2m shares in Randeold & Exploration, AP-DJ reports from Johannesburg.

The distribution will be in the ratio of six ordinary shares in Randgold for every 100 Barlow Rand shares beld at the close of husiness on January 29 1993 and will result in Barlow Rand's interest in Randgold being maintained at approximately 35 per cent. Randgold shares will be

listed on the Johanneshurg Stock Exchange on February 1.

being sold via a secondary Sega predicts full-year sales offer underwritten by Gordon of Y341hn (\$2.75bn), up 60 per Capital at C\$8.55 each. The cent, and pre-tax profits of offer closes on February 10. SHL was part of the Kinburn

By Robert Gibbens

RCE. Canada's biggest

telecommunications group, is selling its 25.6 per cent interest

In the fast-growing interna-

tional systems integrator, SHL

Systemhouse for C\$83m

The 9.7m SHL shares are

£200,000,000 MFC Finance No.1 PLC Mortgage Backed Floating Rate Notes Due October 2023

In accordance with the Terms and Conditions of the Notes. nolice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:-6 January to 3 February 93 7 635 Seren D 13 January to 10 February 93

Seres C Almanylo (February 31 7 635 Seres C Almanylo Securary 31 7 635 By: Citibenik, N.A. (Issuer Services) January 18, 1993 CITIBANCO

> PACIFIC GROWTH FUND Sicav

2, boulevard Royal, L-2953 Luxembourg R.C. Luxembourg B-23332

PACIFIC GROWTH FUND will pay a dividend of USD 0.20 per

DIVIDEND ANNOUNCEMENT

share on the shares outstanding on January 19, 1993. Shares will be traded ex-dividend as from January 19, 1993.

The payment date will be on January 26, 1993.

The dividend is payable to holders of bearer shares against presentation of coupon no 7 to the following hank:

Banque Internationale à Luxembourg 2, boulevard Royal L-2953 Luxembourg Grand Duchy of Luxembourg

The Board of Directors of

PACIFIC GROWTH FUND

GARTMORE JAPAN WARRANT FUND 39, Alée Schel L-2520 Luxembour ers of GARTMORE JAPAN WARRANT FUND are hemby o

ieral Moeting of Shareholders to be h 5, 1993 at 11.30 a.m. with the follow

olders to be held at the registered office of the Comment

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US\$ 100,000,000 A/S JYSKE BANK

Interest Period January 19, 1993 July 19, 1993

8 BANQUE GENERALE DU LUMENBOUR

Agent Bank

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Floating Rate Notes 1986/1995

Interest Amount due on July 19, 1993 per US\$ 10,000 US\$ 257.67 US\$ 250,000 US\$ 6,441.84 FT GUIDE TO WORLD CURRENCIES

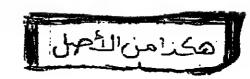
The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January, 18, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. £ STG USS D-MARK YEN COUNTRY CX 100) US S D-MARK € STG USS D-MARK 39.8020 1.5495 1.54 2522.40 2.61 38.0685 8.4725 177.45 551,242 2,6966 1,7876 1,4786 1,4786 11,4069 11,4069 11,4069 11,4521 38,623 2,0087 31,3333 2,0087 33,3333 2,0087 273,395 2,2771 1,4554 2,2771 1,4554 2,273,395 2,273,395 1,2758 1,4564 2,773,395 1,2758 1,4564 3-11, 319 1 6-6171 1 1.1068 1 1.1068 90, 4295 0 6199 0 233-6 0 233-6 1 243-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 233-7 1 290 1 21455 0.7929 1,1223 1,175 116.2 0.7959 0.2989 0.11168 30,7312 1,5982 26,5211 1,5982 26,5211 1,5982 217,522 1,592 1,1181,1 1,1181,1 1,1181,1 1,1183 1, 90.4295 0.6191 2.2479 11.9845 \$.8425 7.7246 83.8722 9.5353 4.6485 6.1459 66.7317 1468.22 65.3436 0.383 0.6089 2.7266 1490.48 909 091 40.4595 0.2377 0.377 1.6883 922.877 Oraqi ()inar) (Punt) (Shekel) (Ura) 14.7794 77.8221 0.4173 22.373 0.9144 1.3294 485.764 0.1888 36.9855 194.75 1.0443 23 8693 125 686 0.674 18.9912 100 0.5363 3.0706 4.7902 114.521 Spain Spaints Ports in Nafrica (Nafrica Sri Lanka Sudan Rep Sorinam Swaziland Swaziland Swaziland Swaziland Swaziland Swaziland Tahuan Thailand Topo Rep Tonga is Trinkan/Tobago Tunsiu (Az United Kingdom United States United Kingdom United States Vietnam Virgin is-US Western Samoa Yennen (Rep of) Yenen IRep of Yenen (Rep of) Yenes (Rep of) 719.071 1817.36 3.0706 1 0.29 1.4811 33.3333 1114.20 2816.00 1.5495 0.4495 2.2950 S1.65 12.37 2862.85 226.285 4.0123 14.5315 423.625 0.6015 4.1725 4.1725 8.4725 8.4725 0.41785 14.1785 14.1785 14.1785 14.1785 14.1785 445.235 1125.27 1.9012 0.6191 0.1796 0.917 20.4393 4.943 1.6033 7.4051 169.281 0.2405 26.5544 10.413 10.4255 24.7352 1.6053 1.9231 1.92 177.450
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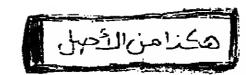
Special Drawing Rights January 15, 1993 United Kingdom £D.892876 United States \$1.37369 Germany D. Mark 2.23197 Japan YenN/A spean Currency Unit Rates January 18, 1993 United Kingdom £D.782351 United States \$1.20873 Germany D. Mark 1.96338 Japan Yen151.998

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INTERNATIONAL CAPITAL MARKETS

Tap sales raise record Fl 9bn for 10-year Dutch paper BIS report points to

By Antonia Sharpe and Sara Webb in London and Emiko Terazono in Tokyo

EUROPE'S bigber-yielding government hond markets showed strong gains as perceived teosions within the European exchange rate mechanism subsided, sparking

GOVERNMENT BONDS

hopes of cuta in short-term interest rates.

Among the hard-core European bood markets, the Netherlands outperformed Germany which was held back hy comments from Mr Hans Tletmeyer, the Bundesbank deputy president, that inflation in Germany is atill too high.

THE Dutch bond market asw strong demand from domestic institutions for the new 7 per cent state bond due 2003, the first 10-year bond to be issued since last Juna. Towards the close of trading, the Finance Ministry said tsp sales for the new hond raised a record Fl 8.9hn, the biggeat amount raised in a single day since the ministry introduced tap sales

in 1990 to issue debt. Dealers initially estimated to announce today the details

the ministry was seeking to raise a total of Fl 10bo, but some traders said they believed the amount could be increased givan the strong demand. The price of the tap issue was raised five times, ending the day up 32 basis points at 99.55 to yield 7.06 per cent.

The strong demand for the bond resulted in a narrowing of the yield spread between Dutch and German paper by 3 basis points to around 31/2 basis points.

■ DANISH government bonds rallied yesterday, helped by the combination of favourable signs on the political front, an opinion poll predicting a "yes" vote in the forthcoming referaodum oo Maastricht and hopes of an easing in money

market rates. Dealers said a shortage of sellers also pushed up prices and some offers by the central bank throughout the day were not enough to satisfy demand. The 8 par cent government bond due 2003 closed at 97.00, up from 95% on Friday.

■ FUNDING worries continued to plague the UK government bond market, with long-dated gilts losing nearly half a point. The Bank of England is due

FT FIXED INTEREST INDICES Jan 18 Jan 15 Jan 14 Jan 13 Jan 12 ago High' Lew' GILT EDGED ACTIVITY Jan 13

of the gilt auction scheduled for January 27. Dealars are expecting the

Bank to auction as much as £3bn of stock, with the 8½ per cent gilt due 2007 emerging as a likely candidate. The Liffe gilt future contract

fell from 99.28 at the opening to trade at 99.22 by lats afternooo. In the cash market, short-dated gilts ended littla changed while long-dated bonds fell, leading to a ateepening of the yield curve. The 11% per cent gift due 2003/07 fell from 119% to 118% by late afternoon,

■ FRENCH government bonds continued their new year rally, thanks to a continued recovery in the tranc. The 8% per cent OAT due 2003 ended up 0.38 at 105.03 to yield 7.76 per ceot while on the Matif, the Paris futures exchange, the March bond futures contract closed at 113.64, np 0.20 from late Friday.

■ JAPANESE government bond prices railled to reach their highest levels in nearly five years, boosted by govern-ment purchases of 10-year and 20-year government bonds in the secondary market. The yield on the No. 145 10-

year benchmark bond fell to 4.345 per cent yesterday, dipping below 4.4 per cent for the first time since April 1988. Until now, the government has bought honds through pri-

vate placements rather than in

the secondary market.
The Bank of Japan bought Y100bn worth of bonds yesterday on behalf of the Ministry of Finance's trust fund bureau which invests public funds such as postal savings in finan-

cial markets. An official at the

8.750 06/02 108.1000 + 0.200 7.51 7.51 8.500 04/02 102.8500 +0.100 8.05 8.13 8.02 0.000 11/00 102.9250 +1.775 8.46 8.94 9.08 8.500 03/97 102.5124 + 0.136 7.75 7.91 8.500 11/02 105.0100 + 0.490 7.74 8.03 8.000 07/02 108.0800 + 0.100 7.08 7.14 ITALY 12.000 05/02 94.6550 + 0.555 13.427 13.56 13.08 JAPAN 4.800 06/99 102.8786 +0.411 4.23 4.38 5.500 03/02 107.5031 +0.240 4.38 4.48 NETHERLANDS 8.250 08/02 107.8800 +0.310 7.10 7.15 7.42 12.07 12.46 12.50 10.300 06/02 90.2000 -0.025 10.000 11/96 109-15 +2/32 9.750 08/02 108-20 -7/32 9.000 10/06 101-13 -13/32

BENCHMARK GOVERNMENT BONDS

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8.500 03/02 101.7450 + 0.545 8.22 8.42 8.81

London closing, "denotes New York morning session Yielda: Local market standard t Gross annual yield (including withholding tax at 12.5 per cent payable by non-resits.] les: US, UK in 32nds, others in decimal Technical Data/ATLAS Price So

trust fund burean said the

move was designed to diversify its investments. The decision, however, comes at a time when a sharp rise in postal savings is causing some concern among policy

makers. The postal aavings system, which offers higher yields than the country's banks, saw an inflow of some Y12,300bn, fuelling complaints from the banks.

Meanwhila, a fall in long-term market ratea is

expected to prompt long-term credit hanks to lower their prime lending rates to corporations, increasing the amount of funds available to companies.

Tha Ministry of Finance plans a Y100bn purchase of government honds every

■ THE Naw York Treasury market was closed yesterday for the Martin Luther King hol-

entry into the European

rity profile lengtheoed and the

shortening of debt maturity profiles

RESTRICTIVE lending policies, including the noo-recewal of maturing long-term loans, con-tinued to characterise banks' credit relations with countries outside the BIS reporting area in the first half of 1992, according to a report released today by the Bank for International Settlements (BIS)*.

The report highlights a further shortening of debt maturity profiles, noting the banks' preference for short-term traderelated credits and the accumulation of interest arrears. "The maturity profile of

reporting banks' claims continued to sborten in most instances," said the BIS. The combination of a preference for short-term trade-related credits, additional interest arrears, debt sales and write-offs sent the share of short-term debt (defined as up to and including one year) to a new record high of nearly 48 per cent of total debt owed to banks in the first

half of 1992. Short-term claims on Portugal surged to a record 61 per cent of total international bank lending to Portugal, reflecting persisteot sbort-term capital inflows after the country's

exchange rate mechanism. A reductioo in exposure to Norway was mora than accounted for by the cut in short-term credit lines to banks in distress.

As a result, Norway's matu-

domestic baoking system's share of the country's external banking debt fell again to an

all-time low of 33 per ceot. The former Soviet Union was tha only one of the eastern Europeao couotries whose combined banking debt increased, but the \$2.4bo rise reflected the accumulation of arrears and the drawdown of existing unused facilities. The deferral of principal repayments accentuated the shortening of the debt profile: sbort-term debt jumped by three percentage points to 20.7

The increase in bank claims on Latin America was the biggest half-yearly rise for eight years, while at the same time a reduction in deposits outstanding largely reflected the repa-triation of flight capital.

The largest new borrowings in Latin America were by Brazil (\$2.2bn), Argentina (\$1.2bn) and Chile (\$0.9bn), which all saw a shortening of their maturity profile.

Trade-related credits and, for Brazil and Argentina, the accumulation of arrears, were mainly reaponsible for the maturity ohift.

China'o short-term borrowing fell to 38.5 per cent from 42.5 per cent and its public sector's share of the debt fell by seven percentage points, to 37.2 per cent.

*Bank for International Settlements "The Maturity ond Sectoral Distribution of International Bank Lending. First half

Investors react positively to Portugal's Y75bn issue

By Brian Bollen

has Rand

ribution

THE Rapublic of Portngal returned to the international capital markets yesterday for the first time since late 1988 with a successful Y75hn

(\$595m) five-year Eurobond. Bankera said the positive reaction to the issue reflected the strength of investor interest and the careful preparation

INTERNATIONAL BONDS

undertaken by the lead managers, Daiwa Europe and IBJ International. Although the spread of 75 basis points over comparable Japanese government bonds was less generous than had been expected, it tigbtened immediately and ended the day at around 72/73

expressed was that the issue could become illiquid if too many bonds end up in the hands of banks looking to swap the assets into floating rate instruments

The deal could mark the start of a steady flow of Portuguese borrowing, said bankers. At the end of last year, Portugal abolished the requirement for borrowers to place 40 per cent of any funds raised abroad in non-interest bearing deposits at the central bank. Portuguese borrowers are now free to borrow lower cost foreign

funds. The republic plans to raise between \$2.5hn and \$3hn in 1993 to re-establish its position in the international capital markets and pave the way for borrowing abroad by its corpo-

nded the day at around 72/73
The treasury director, Mr
Manuel Pinho, said last week
that Portugal has a budgeted

FT/ISMA INTERNATIONAL BOND SERVICE

government deficit of around 4 per cent in the next fiscal year and foreign exchange reserves standing at \$20bn, compared with \$7.5bn three years ago. Portugal'a early devaluation within the European exchange rate mechanism last year helped to avoid a substantial drain on its reserves, bankers

said. Bankera reported a good level of demand for the latest large Eurosterling transaction, PowerGen's £250m, 10-year, 8% per cent issne through S. G. Warburg Securities.

Japanese investors like utilities and the 10-year maturity is under-ntilised because of the lack of swap opportunities,

Elsewbere, smaller D-Mark issues continued to emerge. DG Bank said the DM120m, sevenyear, 7% per cent Eurobond it arranged for the Amsterdambased financing arm of the

NEW INTERNATIONAL BOND ISSUES

YEN	AMPOUNT IN,	Coupun A	FIRE	maturity	reas	Book Immer
Republic of Portugal	75bn	4.875	99.95	Feb.1998	25/10bp	Oaiwa Europe/ IBJ Int.
D-MARKS Spar Int.Financlering(Ams.) &VOF(a)\$	120 100	7.625 (a)	102 102.2	Feb.2000 Feb.2003	24/112%	DG Bank Bayerische Vereinsbank
FRENCH FRANCS Cetelem	1bn	8.25	100.635	Feb.1997	138%	CCF
STERLING Powergen	250	8.875	99.05	Mar,2003	2/1.0%	SG Warburg Securities
ITALIAN LIRA European Investment Bank(b)	100bn	12.75	103.71	Feb.2000	13/14%)MI Bank Luxembourg
SWISS FRANCS Keio Teno Electric Rallway(c)+*	200	2	100	Jan. 1987		UBS

Final terms and non-callable unless stated, *Private piscement, With equity warrants, ‡Finaling rate note, a) Borrowers tull name; Bayerische Vareinsbank Overseas Finance(Curscao), Coupon pays 812% fixed annual in first year and 13.2% 6-month Libor therester, b) Issue launched on 71/83 was increased to L/300th, c) Launched on 12/1/83. Denom.:
SFr50,000+50 wrts. Exercise price: Y528, a 2.5% premium. Exchange rate: 84.93Y/SFr.

Spar snpermarket chain was targetted mainly at domestic retail investors. Bayerische Vereinsbank added to the supply of reverse floating rate note issues, with a DM100m, 10-year note through its Curação arm. The coupon is 81/2 per cent for

British Funds

the first year, after which it L300bn from L200bn, The only will he set at 13.2 per cent minus six-month Libor. IMI Bank Luxembourg reopened the European Invest-

change in tha terms was an increase in the issue price to reflect generally lower yields and awap apreads in the medium to long-term area ment Bank'a recent seven-year. 12% per cent Lira issue, since the original tranche increasing the amount to appeared, said IML

Daiwa Bank downgraded

By Robert Thomson in Tokyo

THE senior long-term rating of Daiwa Bank was downgraded yesterday from A1 to Aa3 by Moody's Investors Service, the US ratings agency, which referred to "uncertainty" over the leading Japanese commer-

cial bank's asset quality.
The downgrading highlights continuing doubts about the health of Japanese hanks, whose non-performing loans and those of their affiliates. have risen as sharply as prop-

erty and otock prices have fallen. Moody's said the amount of Daiwa's lending to the domestic property market "remains significant in relation to its comparatively weak core earnings" and the bank could face further problems if asset prices continue to decline.

Moody's also downgraded the long-term rating of Fujitsu, the Japanese computer company, from A2 to Aa3, citing concern over lts earnings potential given tha softening of demand for mainframe computers.

MARKET STATISTICS

RISES AND FALLS YESTERDAY

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	PRICE INDICES				}	AVERAGE GROSS RECEMPTION YIELDS	Mon Jan 12	Fr) Jan 15	Year ago (approx		
		Mon Jan 18	Day's change %	Fri Jan 15	Accrued Interest	xd adj. 1993 to date		British Government Low 5 years Coupons 15 years	. 8.35	7.02 0.31 8.59	2.79 9.18
2 3	British Government Up to 5 years (24) 5-15 years (23) Over 15 years (8) Irredeemables (6) All stocks (61)	127.49 145.50 150.54 169.82	-0.16 -0.37 -0.21	127.64 145.74 151.11 170.17 141.80	2.89 2.44 1.95	0.95 0.00 0.00 0.00 0.35	456789	(0%-73,%) 20 years. Medium 5 years. 5 years. (0%-103,%) 20 years. High 5 years. 15 years. 11%-) 20 years. Irredeemables(Flat Yield)	7.46 0.82 9.03 7.68 9.09 9.16	7.45 8.77 8.98 7.68 9.05 9.14 0.95	9.16 9.56 9.26 9.86 9.34 9.26
6	Intex-Linked Up 10 5 years (2) Over 5 years (11) All stocks (13)	183.41 164.43	+0.10 +0.11	183.22 164.57 165.88	1.15 0.40	0.00 0.62	11 12 13 14	Index-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Up to 5yrs Up 10 5 yrs Up 10 5 yrs Over 5 yrs	3.83 1.68 3.64	2.51 3.84 1.63 3.64	3.9 4.2 3.2 4.0
9	9ehs & Loans (62)	123.84	-0.06	123.91	3.05	0.12		Debs & 5 years Loans 15 years 25 years	9.91	8.90 9.89 10.05	10.7

Overseas holders to dispose | 6

Photo-Me up 21% to £10.5m

STERLING'S. devaluation helped Photo-Me International, the world's largest photo-hooth manufacturer and operator, increase pre-tax profits by 21 per cent to £10.5m in the six months to October 31.

Currency movements boosted profits by £1.3m. compared with a debit of £123,000 last time. Sales rose hy 15 per

The group translated its overseas earnings into sterling at the rate prevailing at the

Mr Dan David, chairman, said the worldwide recession showed signs of recovery and this, together with current operating returns, encouraged confidence in continued prog-ress during the second haif, subject to no significant exchange rate movements.

Mr David Miller, chief executive, said the best measure of the underlying performance was the 12 per cent growth in operating profits from £14.5m

Operating profits grew less rapidly than turnover because about £8m of sales went to the group's new husiness, including "Fun" studios, which allow customers to be photographed in front of famous backdrops

Another new husiness is the instant printing systems divi-

Owners Abroad

postpones EGM

Owners Abroad has postponed

the extraordinary meeting at

which its shareholders were to

vote on a tie-up with Thomas

Cook, the travel agency group,

writes Richard Gourlay.
The EGM will now he held

on March 22, a week after the closing date of the hostile hid

from Airtours, the rival holi-

Mr Davld Crossland, Air-

tours chairman, welcomed the

postponement of Owners

'Now Owners shareholders

can concentrate on what mat-

ters," he said, "Airtours' offer

is significantly higher than

Owners are planning their ill-

day company.

Ahroad's EGAL

conceived tle-up,"



David Miller: huge potential for expansion in eastern Europe

sion, which has 2,000 husiness and invitation card machines worldwide, a quarter of them

Potentially the most lucrative new husiness provides photos for identity cards, which are made in Hong Kong, Australia, New Zealand, Cer many and the US. Although all the new husinesses are profit-able, they enjoy much lower profit margins than the core

Mr Miller said that although he continued to be excited by

the potential of putting photos on products such as bank cards and driving licences, these results showed the group could grow steadily even without such breakthroughs - which were largely in the hands of banks and governments.

Since the Berlin Wall collapsed in 1989, the group has put 200 hooths into eastern Europe, Russia and the Balticstates. Mr Miller said there was huge potential for expansion there, the main constraint being the group's need to get

The group has 14 booths in China, which produce revenue in Hoog Kong dollars.

Mr David said: "World demand for real identity ansures that the group continues to expand and we continue to look for realistically priced international opportunities." Earnings per share rose 15 per cent to 10.76p (9.37p). The

interim dividend goes up from

1.3p to 1.4p. COMMENT

These results were above expectations, and the shares were duly marked up 15p to 349p. Photo-Me emphasised that much of the profits rise was due to the weaker pound and it is assuming there will be a smaller currency benefit in the second half. The new husinesses are only just profitable, hut the photo-hooths keep chugging away impressively. The real booanza for these shares would come with greater use of photographs in hank cards, driving licences and identity cards. Forecast annual profits of £19.5m put the shares on a prospective multiple of 17.6, a slight pre-mium. Some institutions have been put off hy the high proportion of stock beld by directors through nominees, hut the register has become clearer and the shares are likely to attract an increasing following.

Cost controls help Aerospace Engineering rise to £109,000

AEROSPACE Engineering, the Swindon-based precision engineering group, yesterday reported a rise in pre-tax prof its from £27,000 to £109,000 for the half year to October 31. Mr John Oavis, chairman, attrlhuted the improvement to shrewd cash management, cost control and henefits flowing from the disposal of the loss making aero engine testing business in July.

The proceeds from that deal enabled the group - which turned in a £230,000 pre-tax loss in the last financial year £900,000. At October 31 these stood at £8.28m compared with £11m six months earlier.

However, reflecting both the first-half performance and current trading conditions, the interim dividend is halved to 0.25p. Earnings per sbare emerged at 0.19p (0.05p). Turnover from the continu-

ing aerospace engineering and electronics divisions, and the newly-formed power and control division, dipped to £13.2m (£13.4m) - overall sales for the comparable period of the previous year amounted to £15.1m. Pressure on prices cut oper-

to reduce horrowings hy ating profits to £675,000 (£1.12m), hut interest charges fell to £545,000 (£703,000).

Mr Oavis said trading conditions were unlikely to improve by the year-end. However, the aerospace division would benefit from the airline industry's growing preference for "one stop sbop" engineering ser vices and resilient demand for new aircraft.

In addition, the electronics division generated strong interest in its latest microwave circuitry, vital for the transmission of large amounts of data in satellite and mobile communication systems.



FINANCIAL TIMES CONFERENCES

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Paris, 10 & 11 February 1993

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Mr Jacques Attali European Bank for . Reconstruction and Development

Mr Edmond Alphandery Economist & Member of the French Parliment

Mr François Périgot Conseil National du Patronat Français (CNPF)

Mr Arthur Dunkel* **GATT**

Dr Tvii Necker Federation of German Industries (BDI) Mr Peter Sutherland SC Former EC Competition Commissioner

Mr Dominique Strauss-Kahn

Mr Michel Pebereau Crédit Commercial de France

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Deutsche Bundesbank

Communities

Mr Henning Christophersen

Commission of the European

Mr Jean-Claude Trichet

Ministry of Economy, Finance

and the Budget, France

Minister for Industry and

Foreign Trade, France

* subject to confirmation

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EUROPE THE WAY FORWARD

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Lloyds Bank to pay £27m for AMC

By John Gapper, Banking Correspondent

LLOYDS Bank yesterday announced that it is to expand its share of the agricultural finance market to about 15 per cent by acquiring the Agricultural Mortgage Corporation from a consortium of high street banks.

Lloyds said it would pay £27m for AMC, which was set up hy statute in 1928 to provide loans tied to first mortgages on agricultural, horticultural and forestry properties. AMC's net asset value in December was £57m.

Lloyds owns 13.3 per cent of AMC. The other shareholders are the Bank of England (27.4 per cent), National Westmin-ster Bank (26 per cent), Barclays (17.3 per cent), Midland (13.3 per cent) and Royal Bank of Scotland (2.7 per cent).

AMC was deregulated in 1991 following an Act of Parliament in 1987. Although It made a profit of £7.8m in the year to last March and expects to make a similar amount this year, it has traditionally not sought large profitability.

Mr John Kaye, managing director, said the discounted price compared to asset value reflected the fact that AMC had a high ratio of loans to capital. AMC lendings amounted to £971m in September - about 8 per cent of the market.

Mr Kaye said AMC antici-pated the bank injecting about \$25m of capital into its new subsidiary. He said AMC had sought a single owner following deregulation.

Mr John Davies, Lloyds depnty chief executive, said the bank helieved AMC had a "very sound" business that could be developed more vigor ously under sole ownership.

Bock succeeds in acquiring 19% of Lonrho

Mr Dieter Bock, the German financier, has become Lonrho's biggest shareholder with an 18.8 per cent equity stake following completion of the group's 198.67m share rights

As expected, a little more than 29.1m shares were taken up as a result of the 3-for-10 issue at 85p per share, representing 14.6 per cent of the

Included in the acceptances were 27.6m shares taken np hy Laerstate, Mr Bock's private offset against Laerstate's underwriting commitment for 100m shares. Mr Bock had already

Mr Tiny Rowland, Lonrho's chief executive, giving him a total stake of 143.5m shares. Mr Bock paid 115p a share, a substantial premium to the current share price, for half of Mr Rowland's 15 per cent stake. He has the option to huy the other half after three years, which would take his total holding to 24.8 per

acquired 43.5m abares from

of 45% Watts Blake stake

nstruction Corresponden

LEEANESE, Belgian and German shareholders yester-day announced plans to sell a combined 45 per cent stake in Watts Blake Bearne. The move is expected to trigger a full scale bid for the world's largest ball clay producer.

Ceramics Huldings, controlled by the Lebanese Gargour family, Sihelco, a pri-vately owned Belgian hased producer of silica sand for the glass industry and Quarzwerke, a private German producer of silica sand, are making the sale under a concert party agreement reached last

The companies said that

under takeover rules: "the acquisition of the concert party members' holdings is likely to lead to an offer for the entire issued share capital of the com-

Mr John Plke, managing director of Watts Blake, said a sale to a single purchaser would make it very difficult for the company to defend itself from an unwelcome

"The board is gravely concerned ahout a number of issues that could arise from this proposed sale. including the implications for the company's employees and the local communities in which it operates," said Mr Pike.

The group based in Newton Ahbot, Devon also owns exten-

sive reserves of ball clay in the US and Germany. Almost two thirds of sales are used for the manufacture of sanitary ware and wall and floor tiles.

Its performance is dependent upon the health of the construction industry; pre-lar profits in 1991 fell by 27 per

cent to £5.67m. Profits in the fist six months of last year, however, rose by 7 per cent to £3.74m helped by accuisitions.

Should a recommended purchaser offer less than 4330 a share, Sibelco and Quarzwerke have the right to buy Ceramics' shares at the same price. Watts Elake shares yesterday rose from 425p to 433p having touched 455p at one

Unigate in Co-op milk deal

By Maggie Urry

UNIGATE, the dairy, food processing and distribution company, has agreed to purchase for £17m some of the milk businesses of the Co-operative Wholesale Society.

The husinesses cover 348 milk rounds in London, the south-east and Cornwall together with a processing

dairy in Penryn. Cornwall, with four depots.

The purchase will add about 1 percentage point to Unigate's share of the liquid milk market in England and Wales, taking it to just over 13 per cent. Assets involved are valued at about £6m and there are 217

The deal follows a previous m-fill acquisition by Unigate of Sussex Dairies last August Mr Cordnn Summerfield, managing director in charge of milk related activities, said the acquisition was in line with Unigate'a strategy of "buying dairy businesses which fit in with our existing operations". He pointed out that said such acquisitions "allow for greater efficiency both in pro-cessing and distribution".

Carlsberg-Tetley starts trading

will have an 18 per cent share

of production, rivalling Bass

with 23 per cent and Courage

The company, with an

annual turnover of £1.1hn and profits of about £100m, has a strong portfolio of hrands,

including Carlsberg Pilsner.

with 20 per cent.

By Philip Rawstorna

CARLSBERG-TETLEY, the £510m joint venture formed by the merger of the UK hrewing. distribution and wholesaling operations of Allied Lyons and Carlsberg, began trading yes-

The merger, given the gov-ernment go-ahead less than two months ago after a Monopolies and Mergers Commission inquiry, creates a third force in the UK brewing industry. Carlsherg Tetley, with an output of 6.2m harrels of heer a

year from its six breweries.

Mr Don Marshall, Carisberg-Tetley's managing director, said yesterday that the part-nership would also benefit

hution systems: Allied's strength in direct sales to the pub trade in the Midlands and northern England was complemented by Carlsberg'a focus on wholesalers and other hrewers, particularly in London and southern England.

The company is closing

Skol and Castlemaine lagers, seven of its 32 depots with a loss of up to 100 jobs. No breweach with sales of im barrels, and Tetley, the UK's best-sellery closures are planned. Allied has recently closed its Romford plant and its smallest hrewery at Alloa, which was considered in danger of closure, will now brew Carlsberg from the combination of distri-

Carlton and LWT set up joint venture

By Raymond Snoddy

Carlton Television and London Weekend Television bave set up a separate television sales company to attract continental

European advertising. The joint venture will try to persuade overseas advertisers, particularly in the food sector, 11m people, London is one of the most important markets in

Europe. The new venture, London Television European Sales, said that the London area accounts for 47 per ceot of UK mineral water consumption, 44 per cent of UK charge cards, 37 per cent of UK businessmen and 25 per cent of the UK retail putlet total of 30,000.

The first television advertising campaign to be booked by the new venture, for the German airline Lufthansa, begins

Lower dealing costs lift market in equity futures

REDUCED dealing costs and incressed asset allocation activity led to a growth in trading of equity futures in 1992, according to a new guide published yesterday.

The guide, from UBS Phillips & Orew, is the third in what has become an annual event. It been generated by the growing use of futures to cover cash

positions. Also, more unit trusts bave been dealing in futures to cover positions before investing in the underlying equity market. However, it acknowledges that, "The recent emphasis has focused on asset allocation

The guide lists the leading contracts traded on the world's detailed breakdown of turnover and contract size.

Corres -

	payment	paymen!	dividend	year	year
berdeen Trustfin	0.5	Mar 10	1.5	1.5	2.5
erospace Engint		Apr 2	0.5	-	1
rench Prop Tstint	1	Mar 1	nil	-	nil
nti-	1	Apr 8	1	-	3
hoto-Me Intiint		Apr 8	1.3	-	4.4
oundtracs §	1.35	Apr 16	1,35	2.2	22
lividends shown pence USM stock	per shar	e net exce	pt where	otherwise	stated.

DIVIDENDS ANNOUNCED

Measuring up for a water fight

Bronwen Maddox reports on the argument over Ofwat's price review

UNDAMENTALLY arbi-trary and flawed" was one of the accusations hurled yesterday by the water industry at proposals from Ofwat, its regulator.

The latest skirmish is part of the hulld-up to the crucial Periodic Review in 1994, when Ofwat will reassess the basis for water bills for the first time since the 1989 water privatisation, and set future price rises. It reveals the extent of the differences yet to he resolved between the two sides over the basis for aetting water prices.

The attack is contained in the industry's 50-page response to a consultation paper from Ofwat in November on the correct definition of the companles' capital value, a notoriously slippery figure. Their assets include miles of

Victorian sewers and pre-war water mains, whose value is highly debatable, as wall as state-of-the-art treatment plants, part of a huge industrywida spending programma which could cost some £45bn by the year 2000.

A dry and highly-technical issue, the definition is never-theless central to the review: unlike the regulators of the other privatised utilities, Ofwat is legally obliged to allow com-panies to earn a "reasonable" rate of return on their capital when setting price rises.
The approach favoured hy Mr Byatt, Ofwat's director gen-

eral, in his November paper is

to take the stock market value

point - £6.1hn at the end of the first day's trading. To hring it up to date, be proposes adding on the capital spending alnca then. This hybrid system - market value

at flotation in December 1989 as the value of assets at thet

for the old assets, and current value for the ones bought after 1989 - gives a capital figure of some £12bn to £18hn. Given the pre-tax profits of £1.5bn made by the industry in the year to March 1992, it suggests - in rough terms pre-tax return on capital of

Ofwat has argued that the attraction of this approach is its simplicity. It also gives a relatively high figure for return on capital, for which the water customer ahould be grateful, as it would allow Ofwat to be tough at the peri-

some Il per cent.

Mr Byatt has pointed out - in a good illustration of the difficulty of the definition that if, instead, he took tha cost of building the assets at today's prices, which several companies suggested, that could lead to a capital figure es high as £100bn. If he allowed the companies to earn the same return on old assets as on new ones, the industry would make "too much profit" and the customer would suffer

through higher prices.

The water companies have attacked Mr Byatt'a arguments on two main points. Their paper "questions Ofwat's preference for [stock] market-based valuations". Instead, it wants Ofwat to use the government's own "Indicative Values", calculated in 1989 on the basis of projected cashflows.

The water industry argues

that this is the only measure of value which treats the 10 large water and sewerage companies which are floated on the stock market on the same basis as the 33 water-only companies which remain in private hands. Its paper argues too that Ofwat'a version is guilty of "circularity": it defines the value of the assets by the stock market value, hnt the valua that the market pnts on the companies is partly based on its view of how much profit Mr Eyatt will let the assets earn. City analysts said yesterday that they thought Ofwat would have to consider the arguments seriously. However, they pointed out that as some of the indicative values were higher

he water companies also attacked Ofwat's proposal to give hack to posal to give nack to customers some of the price rises permitted during years of heavy spending to allow companies to keep interest charges comfortably covered by profits a necassary "cushion" if banks are to agree to lend them money. Ofwat's argument is that this is

than the stock market values

at flotation, this could help the

water companies' arguments for a higher capital figure.

"advancement" of revenue and should be returned to the customer once the spending programme has diminished.

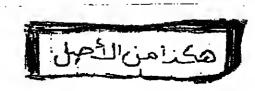
The companies have called this "neither rational nor fair". arguing that it "could not be implemented in a way which is clear and comprehensible either to customers or the capltal markets".

Their complaint is that there is no obvious "benchmark" level of prices hy which to measure the "advancement" of revenue. The proposal could be "self-defeating", they warn, because immediately Ofwat selected a benchmark, bankers would use it to calculate the "cushion" for their interest payments instead of using the

actual revenue. This will not be the last tussle hetween the two sides. Within a few weeks Ofwat will publish its final consultation paper before the review - on how the UK's supply of water can he increased and who

should pay for it. Water companies' finance directors believe an answer to these and other huried conflicts - including a long-standing disagreement on the cost of capital - will eventually be hammered out in horse trading during the review.

But yesterday's report shows that differences between the companies and their regulator are still considerable and that resolution of the differences is unlikely to be easy or quick.



trading

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COMPANY NEWS: UK

Gestetner sale talks abandoned

GESTETNER Holdings, the office and photographic equip-ment distributor, yesterday said the sale of its Vivitar and Hanimex camera distribution businesses had fallen through. Concord Camera Corporation of the US and Gestetner jointly

called off the talks after Concord failed to put together the necessary financing. Mr Andrew Adams, Gestetner projects manager, aaid talks between the two groups were continuing and he was still hopeful an agreement

The sale would have further

focused Gestetner on its core office equipment markets after what has been an unhappy diversification into the photographic supply husiness. When the proposed sale was

announced last September, Mr Basil Sellers, Gestetner chairman, said one reason the group was withdrawing was that there was no follow-on market in camera distribution, as thera was in office supplies.

The deal would have involved the sale of the camera business apart from Hanimex Australia. In the year to Octoher, the camera husiness reported trading profits of £1.1m on sales of £81.4m. Concord is unlikely to be seen as particularly bad news for Gesteiner's finances. The \$40m (£26.3m) casb and 1.3m Concord shares which it would bave received in payment would have had little impact on a halance sheet that appears to be relatively lowly

But equally, the failed sale will do little to dispel the bid speculation that has surrounded Gestetner since last

geared for a distribution com-

Since the Australian group, Chiltern Capital – then called AFP Investments - took manin 1986, the revitalised com-pany has never really fulfilled its early promise.

Hanimex was one the group's first diversifications in 1969 after two successful years in which cost were cut and its manufacturing culture was replaced successfully with a

more market-driven approach. Two years ago Ricoh, tha Japanese photocopier group, bought a 24 per cent stake in Gestetner from AFP in a deal that valued Gestetner at about

At yesterday's close of 151p, the group is worth barely half

company became the latest househuilder to issue a profits warning. Mr Trevor Spencer, chair-man, said thet the collapse of the honsing market last antumn meant that group pre-

tax profit for the year to June 30 was unlikely to be as high as had been expected. Analysts yesterday cut their between £4m and £4.5m. This compares with pre-tax profits

of £6.14m last year and £8.26m

Tay shares.

profits

warning

By Andrew Taylor,

Construction Corresponden

THE SHARE price of Tay

Homes tumbled by 10 per cent

yesterday to 151p after the

fall 10% on

in 1990-91. Mr Spencer said that the group, like other house-huilders, had been hit by the devaluation of sterling last antumn which had dented the confidence of would-be buyers.

Tay had been forced to reduce prices in order to maintain unit sales, which were expected to be similar to the ,100 achieved in 1991-92. Average prices had fallen from £68,000 to £63,000 during the past 12 months.

Sales, bowever, bad improved sharply during the first three weeks of this year. "Visitor levels have been high and sales good. We can only hope that this is the beginning of the long-awaited honsing market recovery," he said. Net borrowings at the end of December were £20.5m, repre senting 68 per cent of share bolders' funds.

Johnson Cleaners in £2.9m purchase

Johnson Group Cleaners has acquired Imperial and Queen Laundries, the Staffordshirebased workwear rental business, for £2.9m, in a move which will help to increase its growing share of the UK textile rental market.

Pre-tax profits of Imperial and Queen in 1991 were £249,000 on turnover of £2.7m. It services a wide variety of companies in the

£10m in interest from Brent Walker should ha settied by nates extraordinary items. Most of the restated figures £183m. mid year" with the help of an had already been shown in a note to the company's pre-liminary results released in

Lazard to manage Crown funds

agers must either pare costs or

increase the size of their port-

folio in order to improve profit-

hurting a bit, but with a portfo-

lio of only £700m, we just

couldn't afford the quality of

fund management necessary," said Mr Herb Beiles, managing

director at Crown, the UK life.

pensions and unit trust

subsidiary of Crown Life of

track record or access to

Inchcape lifts stake in Revasa

"Our performance had been

GrandMet foresees end to

dispute with Brent Walker

September 20 1992

The report presented the

company's results in line with the latest rules issued by the

Accounting Standards Board.

increasing pre-tax profits from

£902m to £925m in the year to

were more than halved from

£950m to £448m, principally as a result of FRS 3, the new stan-

dard on the profit and loss

account which virtually elimi-

This had the effact of

vesterday.

adjudicating accountant.
Details of the negotiations were disclosed for the first September, and had little effect on the abare price, which lme in GrandMat's 1992 annual report and accounts, closed unchanged on the day which were circulated at 420p.

ability

Canada.

The accounts also show that emoluments excluding pension contributions to Sir Allen Sheppard, chairman and chief executive, rose from £713,391 to

£770.682 The value of intangible assets - such as brands increased on the balance sheet The restated 1991 results by £60m. offset by a reduction of £32m caused by exchange

adjustments. There were post-employment provisions of £113m and performance guarantees and indem nities to third parties totalling

The company said it supported "in spirit and letter the recommendations of the Cadbury committee on corporate governance, and complied with 16 of its 19 guide-

investments in overseas mar-

The funds under manage-

ment are too small to allow the company to hire the kind of

expertise needed to both

expand and improve the qual-

sales team with an A-1 prod-

uct." Mr Beiles said. "We just

didn't have the critical mass.

Life insurers need to have at

least £1bn to £2bn under man-

"We want to provide our

kets, he said.

ity of service.

Peel rises 8% despite weak property market

PEEL HOLDINGS, the half-year to September 30.

Mr John Whittaker, chairman, said demand for property was weak and rental income declined. Demand for retail warebonsing had, however, remained strong.

(£29.8m). Property sales amounted to £26.6m at ahout book value. Net rental income was £21.1m which more than

Borrowings stood at £349m, the hulk of which originated in the group's £304m takeover of soon.

London Shop In 1988. The

interim dividend is beld at 1p. Mr Peter Scott, managing director, said Peel increased its stake in the Manchester Ship Canal to 75.6 per cent - the second increase since the group acquired a 68 per cent interest in May 1991 - and would like to acquire the outstanding share capital, saving the group the costs and complications of maintaining two separately listed companies.

He said the group had failed to agree a fair value for MSC in past talks with its minority ahareholders. Valuing the com-pany was complicated by its outstanding planning application for a 1m sq ft shopping centre at Dumplington, Manchester, likely to be resolved

Reorganisation at Ocean to involve 500 job losses the head office from central SHARES IN Ocean Group rose

15p to 265p yesterday on the announcement by the freight, environmental and marine services company of changes to reorganise its management and overbead structure. Mr Nicholas Barber, chairman, said: "We, like most other

suffering the pain of recession. We're not looking for green aboots and aren't expecting any for a while." The reorganisation will involve nearly 500 redundancles and is expected to incur one-off costs of about £8m. which will be taken in the accounts for the year to

It follows July'a relocation of

companies at the moment, are

London to Bracknell and the stripping out of the divisional level of the management struc-Mr Barber said that yester-

day's move would not bave much benefit in the 1993 year, but that in the full 1994 period he expected the savings would more than halance the exceptional costs Although some operating locations will be closed in the

cost-cutting exercise, some "90 or more per cent" of the it concerns management level redun-The head offices in Bracknell

per cent of production is exported to North America, the

Earnings emerged at 2.45p

(3.79p). A final dividend of

1.35p makes a same-again 2.2p

Along with its results Sound-

tracs announced its first acqui-

sition since joining the USM in

1986. It is paying £300,000 cash for Sussex-based Spendor

For the year to April 30 1992

Spendor returned pre-tax prof-

Its of £28,000 and had net

Far East and Europe.

and Liverpool will lose about 80 jobs between them and the balance will go from the regional offices.

Crown had been having diffiindustry as firms struggle to agement in order to offer highbuild sufficient "critical mass" culty retaining existing clients and attracting new onea quality investment services, be to offer services profitably. said. Lazard Investors already Charges for existing clients are because it could not offer a sufmanages £3.2bn for a range of based on a percentage of funds ficiently attractive investment clients including international

By Andrew Bolger

By Norma Cohen,

CROWN FINANCIAL Services

said yesterday that Lazard

Investors would become the

fund manager for its £680m in

assets because it had decided

that it was not able to offer

customers the quality of per-

The move comes at a time of

rising pressure for consolida-

tion in the fund management

under management and man-

formance they required.

By Andrew Jack

GRAND METROPOLITAN, the

food, drinks and retailing

group, expects to settle by this

summer its dispute over a

£50m payment from Brent

Walker for the sale of William

Hill, the betting ahops chain, a

senior company executive said

yesterday. Mr David Nash, GrandMet's

finance director, said the dis-pnta over daferred payments

totalling mora than £50m and

INCHCAPE, the motor and businesses services group, has increased its stake in Revasa. the Italian insurance broker, through Bain Clarkson, Its wbolly owned insurance broking subsidiary.

Bain Clarkson will pay a maximum of £1.7m, subject to performance, to lift its stake in Revasa from 10 per cent to 49 per cent.

Bain Clarkson bought its ini-

tial 10 per cent shareholding in January last year. The Milan-based broker, cur-

rently ranked 10th in Italy in revenue terms, is involved mainly in the property, casualty and construction sectors. Mr Simon Arnold, chairman

of Bain Clarkson, said: "Italy is an important market for us. This increased shareholding in Revasa will give us a stronger position in the country, moving us forward in our strategy to gain prominence in the

major European markets through shareholding arrangements such as this.

Bain Clarkson also bas operations in Greece, Ireland, Sweden. Switzerland and France, where it recently acquired a 25 per cent stake in CECAR, the country's third largest broker.

Contrary to a weekend press report, Bain Clarkson's results are understood to be bolding up well, in spite of difficulties in the reinsurance market.

Rochdale-based property group, reported an 8 per cent improvement in pre-tax profits from £1.64m to £1.77m in the

Turnover rose to £32.2m

covered interest charges of £19.7m.

British

October 31.

Thornton

up sharply

WITH SALES sharply higher at

23.92m, against £1.11m, pre-tax

profits of British Thornton

Holdings, the furniture making

and reduce overhead costs.

struck after a £171,000 excep-

Earnings per share were 0.2p

(0.09p). A special interim divi-

deod of 0.25p (nil) has already

Aberdeen Trust

cuts final dividend

Aberdeen Trust, the invest-ment and unit trust manage-

ment group, raised pre-tax

profits to £1.76m in the year to

September 30, against £1.23m

struck after an exceptional

its ahead at £1.28m (£851,000)

and earnings per share at 1.53p (1.45p), the final dividend is cut

from 1.5p to 0.5p making a

Despite net attributable prof-

charge of £1.36m.

total of 1.5p (2.5p).

NEWS DIGEST

commenced which would significantly reduce overbeads.

cancellation

and contract packaging group, moved ahead from £20,000 to £301,000 in the six months to However, serious problems arose in the educational and scientific furniture businesses

remains outstanding. and significant trading losses were incurred. A number of Under the tender offer 471,567 Next new ordinary shares of 10p will be allotted senior management changes bave been made and steps credited as fully paid. They taken to increase efficiency will rank pari passu with existing ordinary shares. The result this time was

tion to a former director for loss of office and related costs.

The board of Aberdeen Petroleum yesterday cast doubt on the value of an unwelcome

proposed by Bellwether."

First half fall hits Real Time shares

The company said it believed that dividends had previously been maintained at an unsustainable level and now wisbed to adopt a long-term policy capable of producing growth. It believed that a period of

consolidation was appropriate to enable it to develop investment activities and to maximise operating profits. A rationalisation programme had been

Next 5.75% bond

Of the offer by Next, the high street retailer, to cancel up to £1.5m of 5.75 per cent convertible bonds 2003, some £942.520 bonds have been tendered and cancelled. A balance of £553,283

Aberdeen Petroleum maintains opposition

merger proposal from US-quoted Bellwether Exploration.

In a letter to sharebolders. Aberdeen urged investors not to support the suggested swap of 3.75 Aberdeen shares for each of Nasdaq-quoted Bell-

wether's. "There is minimal marketability in the shares of Bell-wether," the board said. "In these circumstances, it is not possible to form a view as to the value of the consideration

Shares of Real Time Control fell 15p to 78p yesterday on news that profits for the half year to September 30 had fallen from £507,000 to £258,000 at the

Turnover was virtually static at £3.1m. The USM-quoted group develops and services computer systems. Earnings per share were 2.5p (4.9p).

December 31 1992.

The directors said the results in the UK epos market reflected the bigb cost of obtaining business in the recessionary period.

49% take up of Albrighton offer

The open offer of 44.25m new ordinary shares by Albrighton, the USM-quoted provider of products to the construction industry, was taken up as to 21.73m shares, or 49 per cent.

The remaining shares will be taken np by institutional and other investors with whom they had already been condi-tionally placed. The offer was on a 7-for-1 basis at 12p per

Jupiter European net assets decrease

Jupiter European Investment Trust reported a fall in net assets per share to 66.2p at the end of October 1992, against 79.9p a year earlier.

After-tax revenue, bowever, increased from £50,931 to £82,490, representing earnings per share of 0.69p (0.85p). An interim dividend of 0.5p bas already been paid for the cur-

Soundtracs falls to £350,000

Profits of Soundtracs, the professional audio equipment specialist, fell from £545,699 to £350,385 pre-tax for the 12 months to November 6. Directors blamed the sethack on pressure on margins. Turnover improved by 6.5 per cent to £4.11m. About 85

Barlo improves to I£390,000

Audio Systems.

assets of £413,000.

Barlo Group, enlarged via the acquisition last July of IRG, the plastic processing company, returned pre-tax profits of 15390,000 (£410,000), for the

That compared with I£319,000 last time which included excep tional income of I£268,000. Higher interest charges of I£225,000 (I£49,000) resulted

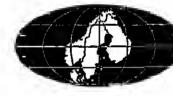
from the IRG purchase. Turnover totalled I£15.1m (I£6.14m) with the radiator division ahead by 34 per cent at I£8.22m. Earnings per share worked through at 0.46p

Abtrust Scotland net asset value lower

Net asset value of Abtrust Scotland Investment Company fell from 32.2p to 29.2p per share over the six months to November 30. A year earlier the figure stood at 30.3p.

Net revenue for the six months to end-November was down at £8,592 (£60,429) for earnings per ahare of 0.03p (0.18p). The comparative period included a one-off dividend of £52,500.

Buy-outs in Scandinavia



Enskilda Ventures Limited is the leading Nordic buy-out firm with eight completed transactions since 1990 and equity capital in excess of SEK 750 million in Scandinavian Acquisition Capital. Scandinavian Acquisition Capital consists of Nordic institutional investors representing major pension funds, banks, insurance companies and industrial holding companies.

Enskilda Ventures Limited is dedicated to initiating, structuring and financing private equity transactions in the Nordic region. The team of nine Nordic buy-out executives has a long track record in initiating, structuring and investing in management buy-outs and buy-ins as well as in joint venture buy-outs, leveraged partial disposals and acquisitions.

For further information please contact Björn Savén, Harald Mix, Bernd Petersen or Kim Wahl at Enskilda Ventures in London, Stockholm or Oslo as below.

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has acquired

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Equity provided by Scandinavian Acquisition Capital and Management

Investment advisor **Enskilda Ventures Limited** Partena AB

has acquired

Partena Cater, Partena Clean and Partena Security

Equity provided by Scandinavian Acquisition Capital, Procordia AB and Management

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"Company") to be admitted to the Official List. It is expected that such admission will become effec-



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(incorporated and registered in England under number 424215) Introduction to the Official List of 10,916,030

Ordinary Shares of 25p each Share capital

Authorised 3,000,000

Ordinary Shares of 25p each

selling cider and adult soft drinks. Copies of the Listing particulars may be obtained during normal business hours on any weekday

1993 from: Merrydown PLC Horam Manor

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19th January 1993

BUSINESS SERVICES

The FT proposes to publish this survey on February 19 1993 For editorial synopsis and available advertising positions contact: Jessica Perry Tel: 071-873 4611 Fax: 071-873 3062

FT SURVEYS

REPAPENTERPRISES INC. US \$200,000.000 FLOATING **RATE NOTES DUE 1997**

an interest rate of 4.20313 per annum. The amount psyable per US \$250,000 will be US \$2626.96 papalite to 1% dard 1993. Agent Bank Barolays Bank PLC

For the period 19th January 1993 to 19th April 1993 the Notes will carry

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Issued and fully paid

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Application has been made for 10,916,030 Ordinary Shares of 25p each in Merrydown PLC (the tive and that dealings in the Ordinary Shares of 25p each will commence today, 19th January 1993.

2,729.007_50 Merrydown PLC, formerly Merrydown Wine PLC, is engaged in the business of manufacturing and

(Saturdays and the public holidays excepted), up to and including 2 lst January 1993, from the Company Announcements Office of the London Stock Exchange, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP (by collection only) and up to and including 1st February

Horam Heathfield East Sussex TN21 OJA

COMMODITIES AND AGRICULTURE

CIS says aluminium output to fall by more than 10%

By Kenneth Gooding, Mining Correspondent

ALUMINIUM OUTPUT in the Commonwealth of Independent States this year is expected to fall hy more than 10 per cent from the 1992 level, according to CIS industry officials. They also want aluminium exports to go no higher than 1m tonnes more than 20 per cent below

last year's estimated total. The revised CIS forecasts were given to a team from VAW Aluminium of Germany. the first delegation from the western industry to visit their Russian counterparts this year.

Mr Karl Wohbe, VAW's management board member responsible for aluminium production, said yesterday that, in spite of the extreme pressures on the CIS industry, which was very short of raw materials and capital, the production target was realistic. The CIS industry did not

collapse last year and we don't expect disaster will overtake it in 1993. So CIS exports will continue at a high level this year and so will the problems they create for the rest of the world aluminium industry. Prices will not go up from present low levels unless western smelters make more production cuts," he said.

Mr Wohbe said industry representatives estimate that CIS primary aluminium output in 1992 reached 3.1m tonnes, not far below estimated capacity of

slightly higher than production forecasts made at an industry gathering in St Petershurg in September. For a variety of reasons, however, they expec-ted 1993 production to fall to

CIS officials said that licences for the export of 735,000 tonnes of aluminium were issued last year and another 150,000 tonnes was offi cially exported under joint-ven-ture arrangements, making a total of 885,000 tonnes. However, they estimated that there was at least another 400,000 tonnes of uncontrolled and unlicensed exports, including some directly from smelters.

Mr Wohbe said Mr Gregory Maslov, head of the state-controlled Aluminium Committee, set up in November and which seemed likely to take prime responsibility for the CIS industry, wanted to cut exports hy 400,000 tonnes this year to leave more metal available for the domestic market.

However, the smelters wanted to export 200,000 tonnes on their own account. Even so, the committee still hoped to keep exports at no more than 1m tonnes.

in order to keep a tighter hold on exports, Russia increased aluminium export duties from 50 Ecu (£39.25) a tonne at the end of 1992 to 130 Ecu for primary aluminium and to 205 Ecu for hartered metal. To discourage exports of primary metal disguised as lum scrap had been lifted to

460 Ecu a tonne.
Officials estimated that proceeds from nearly half the aluminium exported by the CIS last year - about 600,000 tonnes - were used to huy alumina (aluminium oxide) and other raw materials from the west so the CIS smelters could continue producing metal.

"The aluminium committee wants stronger control of exports, but whether it will succeed is another matter," said Mr Wohbe. "They [the CIS industry] are hegining to understand something about the free market and that you cannot continue for ever producing at a loss." Alusuisse-Lonza said yester-

day that overcapacity in the world primary aluminium industry and low prices were forcing it to close its Steg smelter in the Canton of Valais, Reuter reports from Zurich. Last year the smelter produced 48,000 tonnes of metal compared with its capacity of 50,000 tonnes. About 100 jobs will be lost when production ends in the autumn next

Reuter adds from Madrid that Spain's state-owned aluminium producer, Inespal, has told unions it wants to cut 34,000 tonnes a year from the output of its La Coruna smelter, which produced 79,000 tonnes in 1992, and 39,000 tonnes from the Aviles smelter production. Aviles 1992 output

Chinese connection helps locals to win Russian copper contract

By Leyla Boulton in Moscow

THE RUSSIAN-dominated Udokan Mining Company has won a tender to develop the country's higgest copper deposit hut Australia's BHP, the only other contender in the race, has expressed a desire to co-operate with the winner.

UMC is 45 per cent owned hy a Hong Kong businessman, Mr Eddie Wong, with the remaining shares held hy Russia's Arter group and local geological and privatisation authoritles of eastern Siberia's Chita

Mr Wong's Chinese connections are sald to have helped secure in advance a 25-year contract for UMC to sell 200,000 tonnes of concentrate a year to China, out of expected annual production of 360,000 tonnes. HIs stake is held through a Cyprus-registered vehicle called Chita Minerals Com-

Despite a valiant effort hy project.

BHP to put together a proposal with far less time than Its Russian competitor, UMC had been been expected to win for some time. This was not just because of its promise to start mining in 1997 hut more importantly hecause it was hacked by a group of Russian plants which proposed to supply most of the equipment for huilding the mine and accompanying infra-

A BHP representative was yesterday quoted in a Russian newspaper as saving his company was interested in playing a role in the project. An adviser to UMC said it was too early to comment oo what this might involve.

Fluor Daniel, the US firm which put together Chile's giant La Escondida copper mining project, will he the project manager. Allen & Co. the private New York investment hank, will be raising finance for the \$1hn-pius

Despite the fact that six leading western mining companies dropped out of the race since it was launched last summer, Goldman Sachs, the US investment hank which has been advising the government on attracting foreign investment. argues its organisation of a world-class tender gave Russian authorities a hetter deal than had there been no competition at all.

It appears at least to have succeeded in avoiding the shambles of a pioneering Russian tender for Sakhalin oil reserves, which was badly hit hy political squabbling a year ago hut ended with some of the losers joining the original victors. Since theo, a deal with an Australian mining comoany for the development of the Sukhol Log gold deposit. owarded without a tender, has become the subject of a fierce dispute over whether and on what terms it should be allowed to go ahead.

Coking coal cut of \$2 a tonne in new contract deal

By Garard McLoskey

THE JAPANESE steel mills have struck their first coking coal contracts for 1993, bring-ing a \$2 a tonne cut for top quality Australian hard coking coals.

The settlement, to he annonnced in Tokyo and Sydney later today, will result in a new f.o.h. price of \$49.30 and set the benchmark for Australian and Canadlan salas throughout Asia. The \$2 cut, rather than the actual price level itself, will also he required from the mills' US suppliers.

The cnt reflects the oversupply of hard coking coal throughout the world and the poor state of the steel mills' finances. It was made possible by the recent slide in the Australian dollar from US75 cents a year ago to 68 cents. The US producers, faced with increased costs and no currency henefit, will be hard pushed to match such a price

Although the price levels in Europe are different for the same coals, the settlement will probably see the start of European price negotiations in ear-

So far the only settlements appear to have been between the Polish state coal trader, Weglokoks, and its European customers - last Friday British Steel is believed to have agreed to a cut of about \$2 for its Polish supplies.

The Australian/Japanese settlement is also expected to open the way to a fairly swift agreement with Australia's steam coal suppliers.

Steam coal price movements are normally linked with those of semi-soft coking coals, which have been cut hy \$2.50. There are hopes among suppliers that the cut will be closer to \$2 hut a recent accord between three South African suppliers and Japanese power companies on a reduction of \$2.45 suggests these hopes will not be fulfilled. The new Sonth African price

than 1992's contract price levels, is well above the spot market thronghout Europe and Asia with husiness heing struck at below \$25 f.o.h. in most markets. The Greek cement company

of \$30.59 a tonne, while lower

Heracles has just struck an agreement for spot South African coal for about \$23.50 a Similarly, the 1992 Australian price of \$38.90 a tonne, is

more than \$10 higher than

and European markets.

Pulling together for UK agriculture Why are British consumers buying so much foreign-produced food? BETTER management; better hudgeting and better marketing, "these FARMER'S VIEWPOINT

three, hut the greatest of these is hetter marketing". Such have been the texts on which sermons to British farmers have been preached for generations. But the truth is that most British farmers are far more interested in better pro-

History has conditioned us to derive satisfaction from growing bigger and better crops and from persuading cows to give more milk and hens to lay more eggs. The UK has always been in deficit for food; always relied on imports, first from the empire and more recently also from the European Community. Indeed at the start of the Second World War Britain produced only 30 per cent of its

Today domestic production represents about 55 per cent of total food requirements - 70 per cent of what could be produced in the British climate. The improvement is a direct result of government encouragement, over many years, to expand home production and help the balance of

But there is still a substantial food trade gap - the differ-ence in value between what is imported and exported, which Food From Britain, the government-sponsored promotional organisation, has put at more than £5.5bn. Of that well over half could he produced at home. In recent years, as the urge to grow more has been modified, the food and drink trade gap has grown to record the highest ration of imports of any major sector. And an increasing proportion of those imports have heen coming from other northern European EC countries. In other words they mainly consist of commodities produced under similar climatic conditions to those of the UK and could just as

The question is why are British consumers huying foreign

easily have been produced

By David Richardson

undonbtedly the comparative lack of marketing expertise and organisation in the UK agricultural sector.

Farmers in competing countries, like Holland, Denmark and France, which have relied on agricultural exports for many years, were long ago forced to co-operate to hulk up commodities for overseas sales Many of these have since merged to hecome powerful marketing organisations able to supply UK retail chains with large quantities of produce to agreed specifications. As British supermarkets

grew to control more than two thirds of all food purchases and their huyers became more demanding, individual growers and the UK's much smaller cooperatives increasingly found themselves losing sales to the continentals. It was not that the foreign food was necessary hetter nor that it it always cheaper, hut it could be supplied in sufficient hulk to be spread, in identical form, around hundreds of stores. Hence the growing penetration hy EC competitors of the British food sector and widespread concern at the trend, which has extended all the way to the prime minister's office.

Last week the great and the good of the British farming, food processing and retailing industries gathered at 10 Downing Street for the second time in 15 months to discuss ways of improving opportunities for British food suppliers. Under the chairmanship of the prime minister they determined, among other things, to ood? collaborate to try to sonrce more food from UK producers;

to focus Food From Britain's activities on exporting and to assist farmers and growers to become more market orien-

The president of the National Farmers' Union, Mr David Naish, accepted Mr John Major's invitation to chair a small group to follow up the seminar and to monitor prog-

Farmers will wish him and the top level initiative every success. Moreover, at least one supermarket group, Safeway, claims to have switched £41m worth of purchases from overeas to the UK since the first Downing Street meeting in November 1991. Safeway further states that 82 per cent of the food it retails is now sourced in Britain and that there is potential for a further £150m worth within three

vears. The other retail giants are a little more coy about their achievements and plans, hut it seems probable that they may be moving in the same direc-

hey are not philanthropiets, however. The pound's devaluation last autumn has mad it much more expensive for tham to import, so, for the time being at least, commercial interest coincides with patriotism.

Meanwhile the fundamental marketing deficiencies of British agriculture remain; the lack of organisations hlg enough to apply real leverage against the retail giants and a piecemeal approach to promotion and quality assur-

Whether it is a realistic objective even to try to huild groups to match the strength of the supermarkets is doubtful. As someone pointed out at a farming conference a few days ago, to be equal in turnover to Sainshury alone it would be necessary to control 20m acres - half the UK.

A potential marketing strategy which has never been fully exploited, however, might be to promote the real qualities of British food in a co-ordinated way so that it became natural and automatic for consumers to huy items that were home produced.

Attempts at this have been made before. Food From Britain, for instance, launched "quality certified" British food a few years ago. That was inadequately focused and did not take off. The NFU came up with its "Food From the Countryside" initiative in 1991, but it too has failed to make a significant impact. And there are dozens of individual commodity schemes through which producers and retailers are seeking to gain commarcial advantage hy advertising some special assurance of quality.

They are all too small, however, to impress the husy housewife and most of the limlted cash available for such schemes is being wasted. What is required is a strategy to ensure the quality of UK produced food and to promote it to consumers. Effective UK policing of EC regulations already means that the quality and safety of British food is equal to or above that of most competitors, even though this fact is largely unrecognised by the public. It is high time capital. was made from this superiority and all supermarkets fulfilled their collaborative assurances to the prime minister and submerged their own-hrand marketing ploys on behalf of farmers and the nation.

They should co-operate to initiate a nationally co-ordinated strategy involving all those represented at 10 Downing Street last week and many others. It should establish production criteria acceptable to consumers. It should set standards for ethical, responsible and safe methods hy which food should be produced, And it should provide a system of verification that the quality standards being claimed are achieved.

It would not be easy, because of factional interests. But the reward for attempting it could be a truly integrated British food industry serving the interests of the government, the farmers and the consumers.

More Brazilian iron ore deals agreed

By Bill Hinchberger in Sao Paulo

BRAZIL'S Companhia Vale do Rio Doce, the world's leading exporter of Iron ore, has reached an agreement that will cut the price paid by Japanese steel mills hy between 11 and

12 per cent. Japan is the largest market for the state-owned company's ore production, accounting for \$16.90 a tonne. 19m tonnes of the con pany's 60.4m tonnes of exports renegotiated under a separate reductions.

1205.5/1205 1235/1224

1426/1424 1453/1441

270 294/290

279-79.5 290.25-0.50

last year. The price reductions accord. The German deal are similar in scale to those contained in an agreement with German producers announced last week, and which the company suggested would set the pattern for its prices for the rest of Europe.

High grade northern sinter material, from the Carajas site, will be supplied at \$18.15 a tonne and southern sinter at

180,565 lots

159,997 tota

10.509 lots

42,331 lots

(Prices supplied by Amaigamated Metal Trading)

AM Official Kerb close Open Interest

Total daily turnover 58,139 lots

Total daily turnover 49,891 lots

Total daily turnover 5.258 lots

Total daily turnover 9,061 lots

included a price reduction for pellets from \$31 to \$28 a toppe.

CVRD's existing contract with the Japanese mills will remain in effect until its scheduled expiry in April. A company official said that the early renegotiation was "completely

The company also revealed that producers in the UK and

SA's maize crop facing failure

SOUTH AFRICA'S 1992-93 maize crop is at a critical stage and widespread rains are needed in the next few days to prevent a crop fallure for the second year running, industry officials sald, reports Renter from Johanneshurg. "The crop is at a critical

point. Wa need good, widespread and soaking rains in the next few days," Mr Peter Cownie, head of the Maize Board, said yesterday.

Chicago

WORLD COMMODITIES PRICES

1214-6

1445-6 1462-2.5

283-4 293.5-4.0

um, 99.7% purity (5 per tonne

LONDON METAL EXCHANGE

Copper, Grade A (£ per tonne)

Cesh 1212-13 3 months 1234-34,5

Cash 1433.5-34 5 3 months 1452-52.5

Lead (£ per tonne)

Cash 280.5-1.50 3 months 291-92

Mickel |8 per tonne!

Cash 5760-70 3 months 5830-35

MARKET REPORT London rohusta COFFEE futures ware depressad by further heavy

speculative selling in Naw York yesterday, which traders attributed to lechnical lactors. The March position in London closad at \$956 a tonne, down \$19 on the day. COCOA lutures were also down, hut that was largely a reflection of aterling's strength against tha US dollar and daalera sald the market's mood remained hasically "constructive" after tha comfortable absorption of about 40,000 tonnea of producer sales last week. At the London Matal Exchange the pound's firmness

London Markets

Crude oil (per barrel FOB)(Mar)	- or
Dubai	\$15.15-5.25	-0.15
Brent Blend (dated)	\$17.20-7.25	125
Bront Blend (Mar)	\$17.40-7.50	-0.15
W.T.1 (1 pm est)	\$18.95-9 00	-0.15
Oil products (NWE prompt delivery per	tonne CIF	+ or
Premum Gasoline	\$185-187	
Ges Oil	8170-171	-1
Heavy Fuel Oit	\$72-73	+0.8
Naphtha	\$180-183	-1
Petroleum Argus Estimates		•
Other		+ 01
Gold (per tray az)	\$326.15	+ 0.3
Silver (per troy oz) 🗭	367.5c	+1
Platinum (per troy oz)	\$357.0	+0.8
Palladium (per troy oz)	\$108.55	+ 3.35
Coppor (US Producer)	106.5c	-36
Lead (US Producer)	33.5c	-1.13
Tin (Kuala Lumpur market)		+0.07
Tin (New York)	271.5C	+1
Zinc (US Prime Western)	62.0 c	
Cattle (live weight)	117.42p	+ 0.29
Shoop (Ilve weight)1 💠	67.69p	-0.62.
Pigs live weight)1	80.33p	+055
London daily sugar (raw)	\$217.1	+ 1.5
London dally sugar (white)	\$256.6	+0.3
Tate and Lyle export price	£249.5	+0.5
Barloy (English feed)	£135 75u	
Malze IUS No. 3 yeñowi	£181.0	
Wheat IUS Dark Northerni	Unq	
Rubber (Feb)♥	64.75p	
Rubber (Mar)♥ Rubber (KL RSS No 1 Jan)	50.25p 237.0m	+ 1.5
Coconus ell (Philippines)§	\$452.5y	-5
sim Oil (Malaysian)§	\$407.52	+25
Copra (Pfullppines)9	\$280	
Soyabeans (US)	€174.0	+0.5
Cotton "A" Index	57.60c	+ 0.05
Mooltops (645 Super)	388p	

masked a modesl rise in dollar pricas for COPPER. LME NICKEL prices rose smartly from early lows, but the cash price still closed \$42.50 down at \$5,765 a tonne. Dealars sald some support developed on tha dip halow \$5,800 a lonne, and prices continued to advance on short-covaring in after hours trading. There was little reaction In tha gold market to news of the renewed allied attacks on lraq and the London hullion market price closed just 30 US cents higher at \$328.15 a troy ounca. Compiled from Reuters

2000	- Lende	m FUX	(\$ per to
Raw	Close	Previous	High/Low
Mar	189.00	100.00	169.60 187.40
May	193.00		192.00 192.00
White	Close	Previous	High/Low
Mar	251.50	254.00	253.50 251.00
May	252.50	255.00	253.90 252.00
Aug	256.50		258.10 256.00
Oct	243.20	246.50	245.10 243.00
Dec	246.70		246.00
Mar	247.60		248.00
Mar 14	16,93 May	1439.64	9 (FFr per ton)
	Lates	2 Previo	as High/Low
Mar	17.47	17.50	17.75 17.38
Apr	17.61	17.61	17.83 17.53
May	17.70	17.74	17.88 17.87
Jun	17.81	17.87	16.00 17.81
Jul IPE Ind	1761 17 <i>5</i> 5	17.94 17.10	18.00 17.61
QA5 QI	L - (PE		\$/1
	Close	Previous	High/Low
Feb	165.25	166.00 166.25	187.50 165.00 187.50 165.50
Mar	165.00 164.75	165.25	186.50 164.50
A			168.50 184.75
	184 75	186.25	
May	184.75 164.75	165.25 165.50	166.75 164.75
May Jon	184.75 164.75 186.75		186.75 164.75 188.50 186.75
May Jon Jul Aug	164.75 166.75 165.25		166.75 164.75 166.50 166.75 169.50
May Jon Jut Aug Sep	164.75 186.75 165.25 171.50	165.50	186.75 184.75 188.50 186.75 189.50 171.75
Apr May Jon Jul Aug Sep Turnove	164.75 186.75 165.25 171.50	165.50	166.75 164.75 166.50 166.75 169.50
May Jon Jut Aug Sep	164.75 186.75 165.25 171.50	165.50	186.75 164.75 188.50 186.75 189.50 171.75

Previous High/Lov 713 702 726 716 751 743 772 766 793 787 763 787 801 799 Turnover: 2860 (5256) lots of 10 tonnes ICCO Indicator prices (SDRs per tonne). Dall price for Jan 15 764 59 (769.16) 10 day gverag

COFF	OFFEE - Lendon POX							
	Close	Previous	High/Low					
Jan	973	987	971 950					
Mar	957	975	961 940					
May	936	951	938 920					
Jul	927	936	928 012					
Sep	B34	945	935 018					
Nov	940	952	931					

2.22)	uly 85.77 (6	0.77) 15 day	average
965 – L	ondon FQ2	K	Eftonre
Close	Previous	High/Low	
82.0	62.5	61.0	
71.0		71.0	
	2.22) 265 - L Close 82.0	2 22) 065 - London PO3 Close Previous 82 0 62.5	255 - London FOX Close Previous High/Low 62 0 62.5 61.0

Apr	62.0	62.5	61.0
May	71.0		71.0
Turnov	ver 4 (25)	lots of 20 to	onnes.
SOYA	MEAL -	London PO	X £/tonn
	Close	Previous	High/Low
Apr	150.50	152.00	152.00 150.50
		lots of 20 t	\$10/Index poin
	Close	Previous	High/Low
Jan	Close 1265	Previous 1280	High/Low 1280 1285
Jan Feb			

	Føb	1255	1270	1265 1255	
	Mar	1265	1265	1260 1255	
\$/tonne	Арг	1260	1268	1270 1255	
	BIFI	1283	1294	1283	
High/Low	Turnow	er 173 (11	61		
187.50 165.00					
187.50 165.50					
166.50 164.50	GRAINS - London FOX				
168.50 184.75	======	61	0 1	10-10	
166.75 164.75	Wheet	Close	Previous	High/Low	
168.50 166.75 169.50	Jan	136.50	139.00	136.50 136.00	
171.75	Mer	137.40	137.40	137.40	
	May	139 39	139.30	139.30 139.15	
f 100 tonnes	Barley	Close	Previous	High/Low	
	Jen	131.25	-		
demand, reports			63 (314). B 100 Tonnes	larley () (83).).	

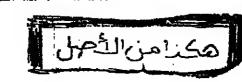
BiFI	1283	1294	1263
Титтом	er 173 (11	ଗ	
GRAIN	S - Lone	ion FOX	E/tonne
Wheet	Close	Previous	High/Low
Jan	136.50	139.00	136.50 136.00
Mer	137.40	137.40	137.40
May	139 39	139.30	139.30 139.15
Berley	Close	Previous	High/Low
B arley Jen	131.25	Previous	High/Low
Jen Turnov	131.25 ar: Wheet	•	arley 0 (83).
Jan Turnovi Turnovi	131.25 ar: Wheet	63 (314). B	arley 0 (83).
Jan Turnovi Turnovi	131,25 er: Wheet er lots of	63 (314). B	ariey () (83).). ash Settlement) p/kg
Jan Turnovi Turnovi	131.25 ar: Wheet er lots of London	- 63 (314), B 100 Tonnes	ariey () (83).). ash Settlement) p/kg
Jan Turnovi Turnovi PIGS -	131.25 er: Wheet er lots of London Close	63 (314). B 100 Torrnes POX (Co	arley 0 (53). ash Settlementi p/kg High/Low
Jan Turnovi Turnovi PIGS -	131.25 ar: Wheet er lots of London Close 104.5	- 63 (314). B 100 Tonnes POX (Co	sariey 0 (83)ssh Settlement) p/kg High/Low

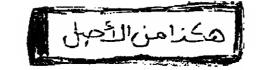
5860-65 5925-30	5840- 5900-		5845
	3000-		5920/5
	8 per	_	3020
1057.5-58.5	1062	_	1055.5
1076-76.5	1861-		1077/1
g C/S rade:			
5	3 mont	hs: 1,5	360
THE LOOK NA	OKET		
		hlld1	
oz)			
		edny	alent
		12 412	
x 328.15			
328.20-328	.50		
0.29			1.55
0.43 0.81	12 100	mans	1.93
		Q etc 4	arady.
			Afrik
241,30			
244.95	3	73.05	
252.35	3	80.55	
rs ·			
			
8 price		riupe 3	raient
328.00-33	1.00	E equin	
328.00-33 337.95-34	1.00 : 0.15	212.00	214.00
328.00-33	1.00 : 0.15	_ <u></u> -	214.00
328.00-33 337.95-34	1.00 : 0.15	212.00	214.00
328.00-33 337.95-34 ign 78.50-81.4 PTIONS 99.7%) (1.00 : 0.15	212.00-5	214.00
328.00-33 337.95-34 lign 78.50-81.4 PTICHES 99.7%) (C \$ tonne Feb	11.00 10.15 50 Calls	212.00-5 91.00-5 Feb	214,00 3.00 Puts May
328.00-33 337.95-34 ign 78.50-81.4 PTICHES 99.7°4) (\$ tonne Feb	11.00 10.15 50 Calls May	212.00-5 51.00-5 Feb	214.00 3.00 Puts May
328.00-33 337.95-34 iign 78.50-81.4 PTIONS 99.7%) (\$ tonne Feb 42 27	11.00 10.15 50 Calls May 73 55	212.00-5 81.00-5 Feb 15 25	214.00 3.00 Puts May 24 33
328.00-33 337.96-34 lign 78.50-81.0 PTHONS 99.7%) (0 \$ tonne Feb 42 27 17	11.00 10.15 50 Calls May 73 55 45	212.00-5 81.00-5 Feb 15 25 40	214.00 3.00 Puts May 24 33 45
\$28.00-33 \$37.95-34 \$16n 78.50-81,9 PTIONS \$90.7%) (0 \$ tonne Feb 42 27 17 de A) (0	0.15 0.15 50 Calls May 73 55 45	Feb 15 25 40	214.00 3.00 3.00 May 24 33 45
328.00-33 337.96-34 lign 78.50-81.0 PTHONS 99.7%) (0 \$ tonne Feb 42 27 17	11.00 10.15 50 Calls May 73 55 45	212.00-5 81.00-5 Feb 15 25 40	214.00 3.00 Puts May 24 33 45
\$28.00-33 337.95-34 sign 78.50-81.2 PTHORES 99.7%) (C S tonne Feb 42 27 17 de A) (C	0.15 0.15 50 May 73 65 45	212.00-5 81.00-5 7 Feb 15 25 40	214.00 3.00 24 33 45 24 36
\$28.00-33 \$37.95-34 \$40 78.50-81.4 PTIONES \$90.7%) (C \$ tonne Feb 42 27 17 de A) (C 50 41	0.150 0.15 50 May 73 55 45 2a/ls	212.00-5 81.00-5 7 Feb 15 25 40 34 59	214.00 3.00 Mey 24 33 45 20ts 62 87 118
328.00-33 337.95-34 18gn 78.50-81.2 PTKO668 99.7%) (0 \$ tonne Feb 42 27 17 de A) (0 41 23	01.00 :: 0.15 :: 50 :: 6	212.00-5 81.00-5 Feb 15 25 40 34 59 61	214.00 3.00 2uts Mey 24 33 45 2uts 62 87
\$28.00-33 \$37.95-34 fign 78.50-81, PTHONES 96.7%) (0 \$ tonne Feb 42 27 17 de A) (0 41 23 Mar 32 13	11.00 10.15 50 May 73 55 45 2a/1s 88 84 40 May	212.00-5 81.00-5 Feb 15 25 40 34 59 61 Mar	214.00 3.00 Subs Mey 24 33 45 Subs May 87 118
\$28.00-33 337.95-34 sign 78.50-81.2 PTHORES 99.7%) (\$ \$ tonne Feb 42 27 17 de A) (\$ 41 23	01.00 :: 0.15	212.00-5 81.00-5 Feb 15 25 40 34 59 61	214.00 3.00 Puts Mey 24 33 45 Puts 62 87 118
\$28.00-33 \$37.95-34 fign 78.50-81, PTHONES 96.7%) (0 \$ tonne Feb 42 27 17 de A) (0 41 23 Mar 32 13	11.00 10.15 50 May 73 55 45 2a/1s 88 84 40 May	212.00-5 81.00-5 Feb 15 25 40 34 59 61 Mar	214.00 3.00 Subs Mey 24 33 45 Subs May 87 118
328.00-33 337.95-34 18gn 78.50-81,2 PTHORES 99.7%) (5 5 forume Feb 42 27 17 de A) (6 41 23 Mar 32 13 5	0.1500 (0.15	212.00-5 81.00-5 81.00-5 81.00-5 15 25 40 34 59 61 Mer 26 27 00	214.00 3.00 3.00 Mey 24 33 45 -2uta 62 87 118 May 87 61 131
֡֡֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜	g E/S rate: 5 EULLION tas plied by N M az} 8 price 328,00-328 327,00-328 327,00-328 327,70-328 327,70-328 con Gold La 0.29 0.43 0.81 p/troy oz 241,80 244,95 252,35	g E/S rate: 5 3 mont ULLION MARKET plied by N M Rother 32) 8 price 9 320.0328.00 327.00 328.00 327.00 328.00 327.00 328.00 327.00 328.00 327.00 328.00 327.00 328.00 327.00 328.00 327.00 328.00 10 0.00 F mon Gold Lending F 0.29 6 mon Gold Lending F 0.43 12 mo 0.81 p/troy oz U 237.35 3241.90 3 3244.95 3 3252.35 3	g E/S rate: 3 months: 1.5: ULLION MARKET plied by N M Rothechild; 3x2 8 price £ equiv 320.00-328.30 327.00-328.00 327.00-328.00 327.00-328.50 327.70-328.00 327.70-328.00 0.29 6 moretis 0.29 6 moretis 0.43 12 months 0.81 p/troy oz US cts 6 227.35 367.36 244.95 373.09 252.35 380.56

~	_	2000-02	30/4-/5		221 1012
			Total de	uly turnove	¥ 1,857 lets
5		5840-45			
0/5905	<u>, </u>	5905-15	5920-30	_	42 1ots
			Total dai	y turnover	44,500 lots
5.5/10 7/1069		1055-56 1078-74	1072-75	70:	259 lots
			101410		
	6	months: 1.5	5252	0 ma	nths: 1.5165
_	-	V	I-		
	3.0	ew Y	UIK		
	_				
_	GO	D 100 troy	oz.; \$/troy (<u></u>	
		Close	Previous	High/Lov	<i>,</i>
	Jan	328 0	327.0	0	0
	Feb	328.0	327.0	328.2	326.9
	Mer	328,5 329.0	327.5 328.0	0 329.1	0
_	Jun Jun	330.1	328.1	330.4	328.0 328.1
5)	Aug	331.4	330.5	330.9	330.8
.55 .93	Oct	332,9	332.0	0	0
.843	Dec	334.4	333.5	334.4	334.0
_	PLA	TINUM 50 H	roy oz; S/tro	y oz.	
		Close	Previous	High/Low	
	Jan	359.4	359.0	0	0
	Apr	356.4	356 0	358.0	355.5
	Jul Oct	354.1 352.8	353.7 352.2	355.0	353.5
_	jæn	351.4	351.0	ŏ	ŏ
_	_	ER 5,000 to			<u> </u>
_	ail.				
	_	Close	Previous	High/Low	
	Jan	366.8 367.5	365.3 366.0	0	0
_	Mar	368.3	386.6	0 368.5	0 128.8
_	May	370.7	389.2	371.0	386.8
_	Jul San	373.1	371.8	373.5	371.5
_	Sep Dec	375.7 379.6	374.2 378.3	0 390.5	0 378.5
	Jan	380.8	378.3	0	0
	HIGH	GRADE C	OPPER 26.0	On liber nen	te/lha
_	_	Close	Previous		
	Jan			High/Low	
	Feb	07.60 96.25	98,40 98,40	96.00 96.65	87.50 86.15
	Mer	98.60	98.80	100.00	96.00
_	Ap-	98.55	99.00	99.39	99.00
	May	99.00 99.10	60.18 99.25	100.20 99.30	98.60 99.30
	Jul	60.25	99.35	100.50	60.30
	MO	99.40	99.50	0	0
_	CRU	DE OIL (Lig	ht) 42,000 (IS galls \$/t	ете
_		Latesi	Previous	High/Low	
	Feb	18.90	18.87	10.03	18.76
	Mar	16.02	13.03	19.15	18.90
_	Apr May	10.14 18.28	19.17 19.29	10 <i>.27</i> 10.40	10.03 19,20
_	Jun	10.40	10.41	16.47	16.35
	Ju1	19.52	19.48	19.58	19.42
	AUÇ Sep	19.53 10.55	16.53 19.57	18.57 19.56	10.47 19.50
					. 3.00

	TING OIL	12,000 US g	alls, cent	VUS galls
	Latest	Previous	High/Lo	w
ob	53 45	53.37	53.90	53.15
ar Or	53.95 53.85	53.80 53.50	54.30 54.00	53.56 53.50
ay	53.25	53.09	53.50	53.15
n	53.10	52.99	83.35	53.05
	53.45	53.24	53.65	53.40
b B	54.10 55.30	53,89 55.04	64.50 65.55	54.15
ř	55.94	55.64	0	55.30 0
v	56.80	56.79	56.80	56.60
C	OA 10 tons	95, 3/ 1011116	**	
_	Close	Previous	High/Lo	W
•	983	990	986	977
,	1009	1014	1010 1028	1000
,	1062	1057	0	1024
:	1079	1089	1078	1078
,	1113	1112	0	0
1	1138 1160	1137 1159	0	0
	1183	1182	ŏ	0
	1213	1212	0	ŏ
Ŧ	EE "C" \$7	,500lbs; ce	nts/lbs	
	Close	Previous	High/Lo	w
,	68.65 74.20	69.75 74.70	68.95 74.25	66.75
	75.95	76.60	75.95	74.25
	77.80	78.20	77.00	75.18
	80.25	80.75	80.00	79.00
	82.70 86.00	83.20 86.15	0	0
'n		*11" 112,0		
	Close	Previous	High/Lo	
_	8,41	8.57	8.54	8.40
•	6.56	6.68	8.64	8.55
	8.64 8.64	8.74 8.75	8.70	8.62
	8.69	6.77	8.70 8.74	6.70
	8.75	8.85	0	0
Ţ	ON 50,000	cents/lbs		
_	Close	Previous	High/Lor	*
,	61.01	61.39	61.45	50.40
	61.50 62.05	61.87 62.20	81.70 62.15	61.06 61.75
	81.40	81.20	61.20	61.75 81.01
				VVI
	00.54	60.37	60.55	60.02
	61.21	61.10	81.00	61.00
N	61.21 61.56 62.15	61.10 B1.60	81,00 0 0	61.00
,	61.21 61.56 62.15	61.10 B1.60 62.00	81,00 0 0	61.00 0
N.	61.21 61.66 62.15 GE JUICE Close 60.10	61.10 B1.60 62.00 15,000 lbs; Previous 61.00	81.90 0 cents/lbs High/Lov 60.00	61.G0 0 0
N	61.21 61.65 62.15 GE JUICE Close 60.10 61.00	61.10 B1.60 62.00 15,000 lbs; Previous 61.00 82.05	81.90 0 0 cents/lbs High/Lox 60.00 52.00	61.00 0 0 78.50 80.00
N	61.21 61.66 62.15 GE JUICE Close 60.10	61.10 B1.60 62.00 15,000 lbs; Previous 61.00	81.90 0 cents/lbs High/Lov 60.00	61.00 0 0 78.50 50.00 82.60
N	61.21 61.65 62.15 GE JUICE Close 80.10 61.00 84.00 86.80 86.90	61.10 B1.80 62.00 15,000 lbe; Previous 61.00 82.05 84.45 86.05 87.06	81.90 0 0 High/Lox 60.90 52.90 84.80 86.90 87.90	61.00 0 0 78.50 80.00
N	61.21 61.55 62.15 GE JUICE Close 80.10 61.00 84.00 86.90 86.90	61.10 B1.60 62.00 15,000 lbs; Previous 61.00 82.05 64.45 86.05 87.06 86.75	81.90 0 0 ; cents/ibs High/Lox 60.00 52.00 84.80 86.00 87.00 0	78.50 80.00 82.60 85.00 86.25
N .	61.21 61.65 62.15 GE JUICE Close 80.10 61.00 84.00 86.80 86.90	61.10 B1.80 62.00 15,000 lbe; Previous 61.00 82.05 84.45 86.05 87.06	81.90 0 0 High/Lov 60.90 52.90 84.80 86.90 87.90 950.00	78.50 80.00 85.00 85.00 86.00
N	61.21 61.56 62.15 GE JUICE Close 60.10 61.00 84.00 86.80 86.90 86.90 86.05	61.10 B1.80 62.00 15,000 lbs; Previous 61.00 82.05 64.45 86.05 87.05 86.75 87.50	81.90 0 0 ; cents/ibs High/Lox 60.00 52.00 84.80 86.00 87.00 0	78.50 80.00 82.60 85.00 86.25
	61.21 61.55 62.15 62.15 62.10 61.00 84.00 86.90 86.90 88.00 88.00 88.00 88.00 88.00 88.00 88.00	61.10 B1.80 62.00 15,000 lbs; Previous 61.00 82.05 64.45 86.05 87.05 88.75 87.50 89.55	81.90 0 0 cents/libs High/Lex 80.00 82.00 84.80 86.00 87.00 0 50.00 89.65	78.50 50.00 82.60 85.00 86.25 0 88.50
ID EL	61.21 61.25 62.15 GE JUICE Close 80.10 61.00 84.00 86.90 86.90 80.05 88.00 89.55 60.05	61.10 B1.80 62.00 15,000 lbs; Previous 61.00 82.05 64.45 86.05 87.05 88.75 87.50 89.55	81.00 0 0 cents/be High/Lox 60.00 82.00 84.60 86.00 87.00 0 50.00 88.65	61.00 0 0 78.50 80.00 85.00 85.00 86.00 88.50 0
	61.21 61.25 62.15 GE JUICE Close 80.10 84.00 84.00 86.90 88.05 88.05 88.05 80.05	51.10 81.60 B1.60 Ibe; Previous 61.00 B2.05 84.45 85.05 87.05 87.05 87.05 87.06	81.00 0 cents/ize High/Lox 80.00 82.00 84.80 88.7.00 0 88.65 0	78.50 0 78.50 80.00 82.60 85.00 86.25 0 88.00
ID	61.21 61.25 62.15 GE JUICE Close 80.10 61.00 84.00 86.90 86.90 80.05 88.00 89.55 60.05	51.10 81.60 B1.60 Ibe; Previous 61.00 B2.05 84.45 85.05 87.05 87.05 87.05 87.05 87.05	81.00 0 cents/ize High/Lox 80.00 82.00 84.80 88.7.00 0 88.65 0	78.50 80.00 82.60 85.00 85.00 85.00 85.00 85.00 88.25
יונים	61.21 61.55 52.15 GE JUICE Close 80.10 61.00 84.00 86.80 86.80 88.00 88.	51.10 81.90 62.00 15,000 lbs; Previous 61.00 62.05 84.45 88.76 87.06 89.56 89.56 89.56 89.56 89.56	81.00 0 0 cents/ize High/Lox 60.00 52.00 84.80 98.00 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	78.50 80.00 82.60 85.00 84.25 0 89.50 0 1631 =
	61.21 61.55 52.15 GE JUICE Close 80.10 61.00 84.00 86.80 86.80 88.00 88.	51.10 81.90 82.00 15,000 lbs; Previous 61.00 82.05 84.45 89.05 87.06 87.06 87.50 89.55 87.06 87.50 89.55 87.50	81.00 0 0 cents/lbs High/Lox 60.00 52.00 84.00 86.00 67.00 0 0 59.65 0 mber 16 mith ag 1983.1	78.50 80.00 85.00 86.25 0 88.50 0 88.50 0 9 yr ago
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_				
SOY	RBEANS 5	000 bu min;	cents/60lb i	bushed
_	Close	Previous	High/Lov	_
Jan	587/2	583/0		
Mar	584/2	581/4	588/0 585/4	580/1 578/0
May	587/2	584/0	568/Q	580/4
Jul	591/6	588/4	592/6	585/2
Aug	592/6	589/4	593/0	586/4
Sep	591/4	588/0	591/4	586/1
Nov	595/6	582/2	596/0	589/2
50Y		.80,000 fbs:	cents/lb	
_	Close	Previous	High/Lov	
Jan Mar	21.41	21.37 21.52	21.42	21.17
May	21,83	21.74	21.62 21.85	21.33 21.55
Jul	22,02	21.92	22.02	21.75
Aug	22.00	21.94	22.00	22.00
Sep	22.05	21.25	22.05	22.05
Dec	22.10 22.08	21.95 21.98	22.10	21.80
_		AL 100 tons;	22.15	22.08
	Close	Previous		
Jan	188.4	184.6	High/Low 186.5	
Mar	185.1	183.8	185.2	184.0 183.1
Мау	184.2	183.0	184.3	182.8
Jul	185.1	184.0	185.2	183.6
Aug	155.6 186.2	184.6 185.8	185.6	184.2
Oct	187.2	186.5	186.2	186.I
Dec	187.7	187.4	188.0	187.0
MAIZ	E 5,000 bu	min; cents/5		
_	Clase	Previous	High/Low	
Mer	218/0	217/0	218/2	215/4
May	225/6	225/0	226/0	22-/2
Jul	232/6	231/6	233/0	231/0
Sep	238/0 243/2	237/2	238/0	236/0
Mer	249/8	242/6 249/4	243/4	241/2 248/2
May	254/4	254/4	254/4	253/6
WHE	T 5,000 bo	min; cents/	BOIb-bushel	
	Close	Pravious	High/Low	
Mar May	381/4	380/2	382/0	377/4
Jul	356/2	396/4 332/2	357/0	353/6
Sep	335/0	335/2	332/6 335/4	328/6 333/2
Dec	345/4	345/4	345/4	343/0
	348/4	348/4	0	0 :
-AE (Close	.000 lbs; cen Previous		
Feb	50.650	80.700	High/Low 81.150	80.350
Apr	78.725	79.075	79.450	78,700
Jun Aug	73.450	74.000	74.175	73,400
Oct	71.600 72.100	72.125 72.750	72.250 72.850	71.560
Dec Feb	72,400	73.125	73.125	72.050 72.400
	80.650 IOGS 40,0	50.700	81.150	80.350
	Close	Previous	be twen ::	
Feb	43.875	44.025	High/Low 44,200	43.650
Apr	43.200	43.500	41.600	43.000
Jun Jul	47.925 47.375	48.200 47.600	48.150	47.750
Aug	45.900	46.250	47.600 46.000	47,250 45,650
Oct Dec	41.075 42.900	42.225	42.050	41,700
Feb	43.275	43.250 43.275	43.000	42,850 43 100
PORK	BELLIES 4	0,000 lbs; ce	nts/lb	
	Close	Previous	High/Low	
		77 500	87.525	36,550
	35,678	37.500		
Feb Mar May	36.325	37.900	37.900	36,125
Mar				





LONDON STOCK EXCHANGE

Shares drift down in lacklustre trade

By Terry Bylend, UK Stock Market Editor

TRADING all but ground to a halt yesterday afternoon as the London stock market turned its ettention from the uncer-tain economic scene to the helghtening tensions in the Middle East. Although shares rallied after giving ground when Herr Dietmeyer, vicepresident of the Bundesbank, said inflation in Germany was still "unacceptably high", news of a fresh allied air atrike against Iraq unsettled the market in the second half of the session. With Wall Street activity reduced by the Martin Luther King holiday, London

closed on a lacklustre note. Firmness in sterling gave some support at first to hopes that the next cut in UK base rates will not be too long dalayed, in spite of a warning from Mr Norman Lamont, chancellor of the exchequer, that the government faces difficulties in keeping inflation under control. But optimism was finally discouraged yesterday by Herr Dietmeyer's comments, which undermined hopea that the Bundesbank might this week lead the way to lower interest rates across

Europe. The FT-SE Index closed 2 points lower on the day at 2,763.1, having failed to sustain an early gain of 10 points as

trading account which opened yesterday would hring some recovery from the setback of the previous week.

In the absence of support from the inveatment funds, share prices moved narrowly throughout the session. The more revealing image of the trading session came from the day's Seaq volume total of only 488m shares, the lowest daily figure since the turn of the year. On Friday 616.5m shares were traded, and retail, or cus-tomer, business was worth £1.19bn, well up to recent daily averages.

'US dollar weakness, in spite of warlike developments in the Middle East, took the heart out of the international blue chips. Leading oil issues suffered from the subdued trading pattern on Wall Street.

Traders helieved that the

TRADING VOLUME IN MAJOR STOCKS

London market was atill restrained by fears of rights issues from leading UK companies, and also by concern over tha outlook for the government hond market as the City awaited details of the impend-

ing funding moves. The current setback in equities was ascribed to the onexpected commitment of investment funds to UK stocks during the Christmas period.

3,700 1,600 _ 238

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At that time, share prices rose strongly, with gains often exaggerated by lack of stock on traders' books, and are proving highly vulnerable now that the institutions have backed away

again.

FT-SE

Today is expected to bring the first comprehensive details of the Christmas selling season at the leading UK retail stores. Hints of higher retail sales volumes in the final days of December, which traditionally provide the lion's share of sales and annual profits for the retailers, underpinned the stock market's Christmas

gains. The warnings on inflation, both from the UK chancellor and the Bundeshank vice-president, have also damped down the enthusiasm shown on the London stock market during the final months of last year. Hopes for a further reduction in UK base rates, probably to 6 per cent, have now been postponed until the apring and, according to some analysts,

will be incorporated in the

chancellor's	Budget	measures
Accoun	t Dealing	Dates
"First Destings: Jan 4	Jan 16	Feb 1
Option Declaration	ine: Jen 26	Feb 11
Last Dealings: Jan 18	Jan 29	Feb 12
Account Day:	E-b 4	Each 22

"Note Sinc dealings may take place from 8 Mem has business days earlier.

investors boped that the new Two-way pull on

Airways BRITAIN'S flag carrier airline British Airways was one of the most actively dealt stocks yesterday as negative sentiment continued to exact its toll on the ahares following last

week's "dirty tricks" settle-

ment with Virgin Airways. Turnover rose to 4.7m and. at the day's worst, the shares were down 101/2 at 260p on fear of further negative revelations over the affair. This was compounded by concern that BA may have to surrender more lucrative slots to Virgin following a meeting last night with the UK transport minister. Fears of an escalation of the conflict with Iraq also weak-

Similar cap

ing tallate

ened the market's enthusiasm. However, a feeling that the earlier falls had been overdone later emerged, boosted by reports that BA would soon announce a revised partner-ship deal with USAir, the sixth

largest carrier.
This steadied nerves and, together with bargain hunting during the afternoon, helped the stock to lift off the bottom and close 5 4 down at 265p.

Thames deals

Thames Water underperformed a generally unhappy water sector after reports that the group's directors had sold around 1.2m bonus shares into the market. The Thames directors were said to have sold the

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (107).

AMERICANS (3) American T & T, Chrysler, Citicorp, Dun & Bradstreet, Ford Motor, Lower's, Seers Roduct, Time Warmer, Varity, SUBBRESS SERVS (4) BPP, Brh. Data Magnit., Capita, Serco, CHEMS (3) Evode 7p PI, Hesstead IJI, Yorkshire, CONCLONERATES (1) Bodycele, CONTG & CONSTROME, Park Control Co

O 6-1; pc r...
Cheam.
New Lows (13).
CANADIANS (1) Gull Canada, ELECTRICALS
(1) Lec. ELECTROMOS (1) Motyns, INV
TRUSTS (1) Garmore Soot, Inc., MEDIA
(1) Allied Radio, Off. & GAS (1) Petrolina,
PACKG, PAPER & PRINTO (1) Sappl, PROP
(1) Warnford, STORES (1) Oliver, MINES
(4) Deallinsal, East Degga, Hartebesel, Hersio

stock at 480p and it was later placed in the market around 482p. The block accounted for most of the turnover in Thames Water yesterday,

which totalled some 3m shares. The Thames stock was thought to have been taken with a minimum of fuss. But there were suggestions that the water sector had seen a good deal of switching involving the four water stocks in the FT-SE 100. Anglian lost 7 to 476p. North West 61/4 to 469p and Severn Trent 6 to 455p. Thames

Unilever pleases

settled 9 off at 484p.

Reports of strong earnings at Unilever at the first of a series of planned meetings with analysts helped to bolster confidence in the sbares, which have underperformed both the food manufacturing sector and the general market over the past three mooths. The shares advanced 11 to

1079p, although in thin turnover of 700,000. The presentations, held to inform market apecialista about Unilever's fourth-quarter trading posthe next few days, with analysts predicting further strengthening on the group's upbeat message.

Earnings growth in the US, where operating profits declined last quarter, was reported to have recovered well, while reassurances were given over market worries about Unilever's exposure to the weakening German economy. There was also talk of Unilever strengthening its position in a number of key sectors, with the group privately saying that earnings growth was above 15 per cent on the same period last year. By coincidence, the Anglo-

Dutch group yesterday announced a tie-up with BSN, the French food company, to market frozen yoghurt on the Continent. Unilever sbares have underperformed the All-Share by around 8 per cent over the last quarter and the food manufacturing sector has lagged behind the All-Share by 1 per cent.

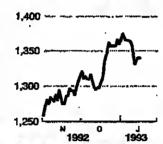
BCI meetings

Meetings between Blue Circle Industries and several London stockbroking firms provided the trigger for minor increases in profits estimates by building analysts. Also, worries about a possible cut in the building materials group's dividend, due to be announced in mid-April, when it reports preliminary figures, were gen-

erally dispelled. Specialists said Cazenove, BCI's own broker, had met the company and edged its current profits forecast higher, from around £78m to £84m, although this was not confirmed.

The upgrade was described as largely cosmetic and made because the proceeds of the recent disposal by the group of its ATCO lawnmower business will be taken above the line on the profit and loss account. The rise in the shares reflects prospects for 1993 and the

FT~A Afl~Share Index



Turnover by voluma (million) Excluding: Intra-market



BCI shares closed 12 higher at 208p after heavy turnover of 4.9m. The shares fell away to level since August 1986, bnt bave subsequently moved sharply higher, partly because of takeover speculation.

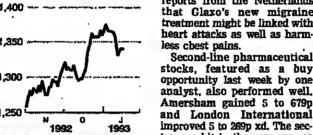
two firm features in General cial Union, where UBS was switch from Prudential into

turer Pilkington to increase its float glass prices by 8 per cent drew a positive response from the market, where Pilkington shares were boisted 4 to 111p. Turnover was a good 3.2m

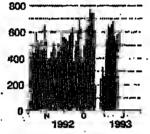
shares. The price rise is the third by Pilkington since the winter of 1991. The previous two failed to stick. The news immediately impacted on Haywood Williams, the glass distributor, whose shares raced up 12 to 204p on hopes of improved

shocked the market by announcing a profits warning. the shares losing 17 at 151p.

Glaxo Holdings rose 121/2 to 728p after recent falls and a mer and depressed the latter.



recession proof. Recently merged television company Yorkshire/Tyne Tees jumped 14 to 136p ahead of



dividend," said one analyst.

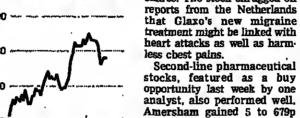
Composite insurers provided Accident, boosted by a Hoare Govett recommendation and 14 higher at 574p, and Commerbelieved to be recommending a

A move by glass manufac-

merchanting margins. Honsebuilder Tay Homes after 146p.

Pharmaceuticals group

rebound on Friday in US drug shares. The stock shrugged off



improved 5 to 269p xd. The sector was hit in the new year as **Equity Shares Traded** a number of investors moved away from stocks perceived as

> today's full-year results. The company is expected to announce profits of about There was very vague talk that Carlton Communications might link op with London Weekend Television. Carlton, which has been recommended by analysts for fundamental

reasons, gained 10 at 813p. LWT preference shares put on old its dividend tomorrow, gether with a broken's 5 at 300p.

bold its dividend tomorrow, together with a broker's buy note, helped the shares improve 3 to 42p.

Bass remained friendless, with the pall of sell notes from Kleinwort Benson and Nat-West Securities continuing to cover the stock. There are also worries over the annual meeting statement due this week. The shares closed 11 cheaper at 588p.

Vague bid talk was heard in Cadbury-Schweppes after last

Cadbury-Schweppes after last week's Hanson rnmours, but the shares failed to react, closing a penny firmer at 460p. Hopes of good interims this week from Park Food lifted the

shares 6 to 221p. Dixons was weak in early trading after weekend press reports over the quality of its earnings, but the shares later rallied to close 11/2 ahead at

227p xd. The market appeared to discount suggestions that aeroengine maker Rolls-Royce would cut the dividend in March when it reports full 1992 year figures. The shares rose 5 to 112p in trade of 3.1m.

Confirmation that Charter Consolidated is planning to sell its 38.4 per cent stake in Johnson Matthey lifted the for-

FINANCIAL TIMES EQUITY INDICES

	18 18	32m 13	750 14	7851 12	Jan 12	ayo	uffir.	
Ordinary share	2140.6	2138.6	2140.6	2129.6	2137.0	1971.9	2209.9	1670.0
Ord. day. yaeld	4.39	4.39	4.39	4.42	4.40	4.66	5.34	4.23
Earning vid % Mail	603	6 03	6.03	6.07	6.04	6.99	-	
P/E ratio net	21.15	21.16	21.13	21.02	21.31	17.98	21.93	15,79
P/E ratio nil	19.55	19.55	19.52	19.42	19.50	17.00	-	
Auld Mices	81.3	62.2	61.9	50.8	81,3	158.2	160.6	60.4
Tor 1992/93. Ordin Gold Mines undex : Basis Ordinary shi	ary share	nodation	nion. 734.	7 15/2/63	gh 2209.8 low 43.5	4/1/93 · 25/10/71	low 49,4 :	26/6/40

9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2140.6 2150.1 2146.3 2141.2 2138.6 2137.1 2137.9 2138.8 2141.5 2150.3 2135.5 Jan 15 .bm 14 Jan 13 Year acc 31,846 1192,8 36,305 593,2 28,618 1205,5 32,003 505.2 26,741 1219.1 31,167 575.0 26,977 1070,6 30,332 534,3 30,102 779.9 30,408 348.9 28,754

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EQUITY FUTURES AND OPTIONS TRADING

INCREASED tension in the Middle East, along with continuing worries over the UK economy, led to a lack of activity in the derivatives sector. writes Joel Kibazo.

On the Liffe, trading in the March contract on the FT-SE Index opened at 2,789 and demand from several US houses soon sent it to 2,794.
The positive mood faded as

fears of further activity in the Gnif emerged and the gilts market performed poorly. By 11.30am, the contract had fallen to 2,766. March haften for the next few hours before talk of a cut in interest rates led to renewed buying.

This was curtailed by confirmation of an attack in the Middle East as the early buy. ers used the unease over the news to turn sellers. March closed at 2,769, down 16 from its previous close and 3 points below its estimated fair value premium to cash, which yestarday fell to 9. Turnover was a poor 4,981 contracts, just over half Fri-

day's total. Traded options were equally dull and turnover reached a meagre 17,541 lots. Some 4,759

contracts were dealt in the FT-SE 100 option, while the Euro FT-SE 100 option only traded 628 lots. Lonrho was the most

actively dealt stock option with a day's total of 1,842 lots. This was followed by Hillsdown at 1,720 and then by British Airways at 985, with the January 280 puts the most busy series.

Shares in Charter rose 15 to 663p, while those of Johnson Matthey gave up 19 to 494p. Several possible buyers were named, including German car group Volkswagen, but the favourite appeared to be Amer-

> gold producer. Chemicals group Courtaulds slid 11 to 558p on muted market talk of a profits downgrade. Industrial gases specialist BOC Gronp improved 3 to 746p, with Hoare Govett highlighting the stock in its weekly sector review. The group also announced the appointment of a new deputy chairman.

ican Barrick, the Canadian

MARKET REPORTERS: Christopher Price, Joel Kibazo, Pater John, Stava Thompson.

Other market atatistics.

Actuaries Share Indices THE UK SERIES FT-SE MID 250 FT-SE 100 FT-A ALL-SHARE 1340.25 +0.09 2763.1 - 2.0 2895.7 +5.1 2765.1 2890.5 1359.8 1418.58 FT-SE 100 2763.1 2759.2 2745.3 2544.9 2888.1 1357.3 2876.3 1350.7 FT-SE Nud 250 +0.2 2895.7 2447.8 FT-SE-A 368 FT-SE SmellCop FT-SE SmellCop ex law Treats 1359.5 1423.92 +04 +04 1413.17 1408 61 1428.09 1340.16 1421.62 1337.58 6.39 — 4.75 4.41 143446 141887 FT-A ALL-SHARE 1340.25 CAPITAL GOODS(211) Building Materials(27) +0.2 +1.5 B75.84 887.39 729.30 2533.89 889.77 728.34 2574.54 728.13 2597.57 731.46 2554.02 2304.14 306.08 2324,44 300.96 2310.83 301.88 294.58 522.17 334.37 522,69 332,37 390,82 523.38 +02 -1.3 6 Metals & Metal Form 9 Motors(18) 387.55 387.15 389.81 1704.86 1951.52 1702.69 3.44 3.89 3.90 3.91 2.81 5.35 2.83 4.12 3.25 4.25 22 Browers and Distillers(28 1948.23 1327.57 1947.74 1946.35 2056.02 Food Manufacturing Food Retailing(18) Health & Household 1338.47 3374.38 1335.77 3357.78 1323.45 3321.07 1233.96 2442.04 3345.28 4032.90 4004.78 4011.07 4025.75 29 Hotels and Lessure(20) 30 Media(33) 1289.29 1288.01 1265.92 129218 1829.24 790.91 1834,72 1633.10 1815.83 Packaging and Paper(23 Stores(39) 111388 +0.6 1106.90 1105.54 110294 40 OTHER BROWPS(143) 1435.17 -0.4 -0.5 144).33 1435.78 1565.50 1442.96 Businese Servi Chemicals(24) 1572.90 1555.82 1546.36 1415.20 3.29 5.07 7.60 4.34 4.82 4.17 1442.85 1438.70 1420.38 - 0.7 1409.17 1418.93 1410 12 1401.56 2738.14 Electricity(16) 1576.78 -0.8 1589.96 1584.41 1578.75 1176.36 1638.68 1630.58 Telephone Net 1372.38 1624.69 47 Water(13) 46 Miscefaneo 3233.23 3278.63 3271.27 3256.96 2235.78 5.48 4.15 2475.97 +01 2475.33 2461.71 1817.32 1417.36 141081 1414.40 1407.54 1284.45 51 Of & Gas(18) 2116.86 +01 2113.74 2120.78 2133.11 2198.50 59 "500" SHARE BIDEX/804 1485.82 1485.09 1483.30 1477.65 1366.02 7.23 17.33 61 FINANCIAL BROUP(89) 884.61 882.39 878.89 858.79 735.85 1211.45 1203.88 885.18 65 Insurance (Lde)(6) 1793.83 + 0.6 1782.74 1743.52 1724.99 1467.86 5.07 Insurance (Composite); Insurance Brokera(10) Merchant Banks(6) 626 87 625.95 624.17 518.48 786.09 520.90 +04 783.04 776.82 776.61 1016.91 519.12 520.39 +03 460 63

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FT-SE Actuaries 350 Industry Baskets									Previous			
Hourty	Ориц	9.08	19.08	11.86	12.00	13,00	14.60	15.90	16.14	Close	(50/3E)	change
Constren	1440.3	1441.2	1439,7	1439.7	1437.3	1437,3	1434.5	1433.1	1436.6	1438.3	1439.3	-1.0
Health & H	1213.2	1217.5	1213.6	1212.0	12125	1210.1	1214.2	1214.5	1217.8	1216.B	1208.2	+86
Water	1348,9	1349.1	1349.3	1339.0	1337.0	1337.0	1337.4	1338,6	1337.0	1336.1	1352,1	-16.0
Render	1.450 n	1475 0	1479 5	1471 1	1463.0	1462.3	14500	14500	1450 0	14500	1477.0	129

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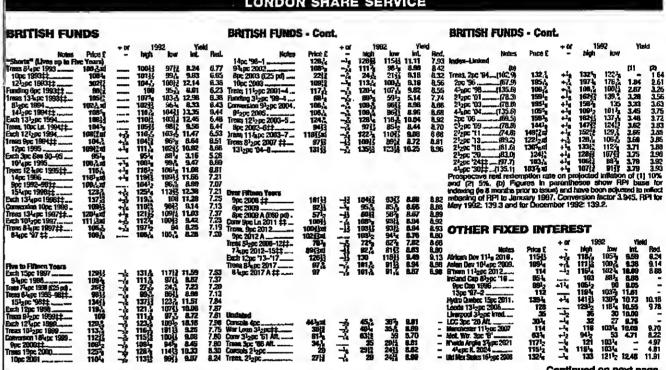
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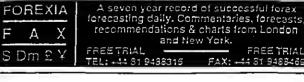
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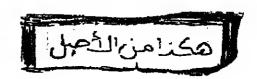
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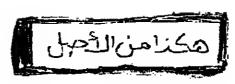
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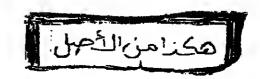
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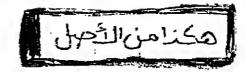
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FINANCIAL TIMES TUESDAY JANUARY 19 1993 FT MANAGED FUNDS SERVICE * Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128. Price Price + or Yield | Earrope Volus Fund (u) | SAV | Clayer | Bank | Trees | Ca (CD | Binger | Cress | Cr | Section 35 | Chilar Greek's Fund | 57 | Side 27 | Side 37 | Side

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MONEY MARKET

sent Ca Ltd

Money Market

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CURRENCIES, MONEY AND CAPITAL MARKETS

FINANCIAL FUTURES AND OPTIONS

FOREIGN EXCHANGES

Slight uncertainty on dollar

THE DOLLAR slipped by exactly 2 pfennigs against the D-Mark in European trading yesterday after Bundeshank officials dashed hopes of another near-term cut in Germao ioterest rates, writes

At the end of last week, tha dollar had enjoyed a rally up to DM1.6355, as some dealers started to think that the Bundeshank could cut short-term rates at its council meeting on Thursday. There has been speculation that the Bundeshank could cut its officiallyposted ceiling rate, the Lom-bard, hy op to 50 basis points

However, Mr Hans Tiet-meyer, the Bundesbank's No.2, helped to quash such thoughts yeslerday, hy saying that inflation was well above what was acceptable over the longer

His remarks followed comments from Mr Otmar Issing, the Bundesbank's chief economist, who said that inflationary dangers had oot heen averted, in spite of the weaken-

ing economy.

The dollar's fall through a key support level of DM1.6200 was probably due to technical factors, too. The currency has risen teo pfeooigs sincs

Jan 18	Latest	Previous Close
E Spot	1.5510-1.5520 0.52-0.51pm 1.38-1.35pm 4.00-3.90pm	1.5305 1.5315 0 53 0.51pm 1.38 1.35pm 3.92 3.85pm
	INS and discounts as	

		Jan 18	Previous
8.30 am 9.06 am 10.08 am 1.00 am 1.00 pm 2.00 pm 3.00 pm 4.00 pm		81.5 81.4 81.5 81.5 81.5 81.5 81.5	81.2 81.1 81.3 81.3 81.3 81.3 81.2 81.2
CUR	REN	CY RA	TES
Jan 18	Bank & rate	Special * Grawing Rights	European t Currency Unit
Sterling	3 00 7 27 8 75 7 75 9 50 8 25	0 892876 1.37369 1.76135 15 6972 45 9225 8 63021 2 23197	0 782351 1 20873 1 54476 13 8158 40 4351 7 55880 1 96358

Sterling U S Oollar	300	0 892876 1 37369	0.7823 <u>!</u> 1.2087				
Canadian S	7.27	1 76135	1 5447				
Austrian Sch Belglag Franc	945	15 6972 45 9225	13 815 40 435				
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italian Lira .	12 08	2052.06	1801.7				
Japanese Yen	3 25	A\II	151.99				
Norway Krees Soams# Pessia	-	9 45511 158 169	8.282Z 139.16				
Swedish Krona	11 50	9.92697	8.7820				
Sway Franc .	¥ 50	2.04199	17964				
Green Drach	19	AIN	262.37				
Irish Punt		ALM	0.73915				
& Bank rate ref							
lines: are not quoted by the lift, Spain and Irelan I European Commission Calculations.							
All SDR rates							

CURRENCY MOVEMENTS					
Jan 18	Bank of England loges	Morgan** Guaranty Ovanges **			
Sterint) U.S Dollar Canadum Dollar Austrian Dollar Austrian Schilling Belglan Franc Dounch Krone D-Hark Switz Franc Outch Guilder Franc Ura	81 6 66 4 94 7 114 6 115 6 117 4 125 1 119 1 119 3 82 4	-29.35 -10.30 -7.82 +16.34 +1.834 +31.33 +18.34 +20.61 -7.04 -32.96			
Yen .	150.6	186.38			

Peseta		-24 30
Mnrgan Guara 1980-1992 - 100 Ba Average 1985 - 100).	nly change nk of Englan Rates are for .	n: aver: d Index (B Jan.15
OTHER CU	RRENC	IES

Jan 18	£	S
Argentina	1.5430 - 1.5455	
AUSTRIA .	2.2875 - 2.2895	1.4700 - 1.47
	21768 0 - 21782 5	
		5.4000 5.42
Greece	332.050 - 338.750	
	11.9630 - 11.9755	
ran	2275.00°	1485.00
Korea(SUb) .	1205 90 - 1225 35	
Kamsalt	0.47200 - 0.47300	
Luxembourg	51.60 - 51.70 4 0070 - 4.0175	33.30 - 33.4 2.5076 - 2.59
Malaysia	48110 48145	25970 - 259 31090 - 312
Mexico		
H.Zealand .	3.0035 - 3 0075	1.9410 · 1.94 3.7495 · 3.75
Saudi Ar	5.7960 - 5 8075 2 5600 - 2 5665	
Singaport 5.Ai (Cm)	2.5600 · 2.5665 4.7525 · 4.7635	16560 - 165
S.Al (Fe)	7.3690 - 7.4760	3.0755 - 3.07 4.7620 - 4.83
Tahwan	39.25 39.40	25 5 25
UAE	5.6750 - 5.6880	3.6715 3.67

December 18, and a retraction was to be expected as dealers took profits. The US currency closed in London at DM1.6155.

Mr David Cocker, chief economist of Chemical Bank, believes that the dollar will go highar, reaching DM1.85 this year. "The dollar's rise will accelerate," he says, "as inter-est rate levels come together on a world-wide basis." He helieves this convergence is certain to he led by cuts in German interest rates.

However, Mr Jim O'Neill, head of research at Swiss Banking Corporation in Lon-don, believes the dollar rally could peter out from here. "We are into the third week of the year," he says, "and tha dollar has not made as much progress as had been expected. A lot of people will review their scenarios."

Mr O'Neill believes that the US economic upturn is not as strong as anticipated, and there is a lingering possibility of another cut in short-ous interest rates.

The huge trade hudget deficits in the US also set its on how much the US raise rates. Mr O'Neill bel that, at best, the dollar w oo higher than DM1.70

Tensions inside the E pean exchange rate mecha continued to subside, and the first time this year, e ERM currency was within per cent of divergence from central rate against the I pean Currency Unit (Ecu).

The comments from Bundeshank weakened French franc yesterday, a closed at FFr3.385 to D-Mark, more than ½ a time weaker on the day. I sures on the Irish punt ea Irish interhank offered i were quoted at between 19 23 per cent compared with day's levels of 32 to 40 per of

EMS EUROPEAN CURRENCY UNIT RATES										
	Ecu Central Rates	Carrency Amounts Against Ecu Jan 18	% Change from Central Rate	% Spread vs Weakest Currency	Olvergesce Indicator					
Spanish Peseta	143.386 182.194 40.6304 2.21958 1.96992 6.60683 0.735334 7.51410	139.169 176.698 40 4351 2.20751 1.96358 6.63936 0.739150 7.55880	-2 94 -2 91 -0.48 -0.54 -0.52 0.52 0.52	3.64 3.61 1.08 1.14 0.92 0.10 0.08 0.00	47 44 15 18 9 -38 -31 -35					

POUND SPOT - FORWARD AGAINST THE POUND										
Jan 18	Shiding Dala, 2	Close	One month	9.4. 0.4.	Three mostls	13. 13.				
rs	1.5350 - 1.5505	1.5490 - 1.5500	0.55-0.53cpm	4.18	1_37-1_34pm	3.5				
293da	1.9660 - 1.9805	1.9765 - 1.9775	0.12-0.02cpm	0.42	0.17-0 06pm	0.3				
etherlands.		28125 - 2.8225	4-12 calls	-1.60	5 ydis	-10				
elgium Struark	51.60 - 51.75 9.6460 - 9.6920	51 60 - 51.70 9.6500 - 9.6600	33-7cdk 34-7creds	1.65	11-21ds	궃				
etand	0.9430 - 0.9495	0.9430 0.9440	1.90-1.05cpm	18.76	10 %-15 % dfs 3 65-2 00pm	ıı c				
	2.5000 - 2.5160	25000 - 25050	4-4 picts	-1.50	3-Idis	1				
rwgai		225.80 226.80	146-157cm	-103	3%-423db	-7.2				
1210	177.00 - 178.15	177.30 - 177.60	125-136cds	-8.83	333-352dis	-77				
		2309.00 - 2310.00	10-12Seedis	-5.72	31-34db	-5.0				
		10.5625 - 10.5725	212-35 oredis	-341	74-9405	-32				
30CE	8.4675 - 8.5065	D 4675 - 8.4775	34-4cds	-513	9-10dis	-4.4				
	11 1560 - 11 2280	11.1975 - 11.2075	24-44 oredis	-3.68	6%-8%db	-27				
man	192.75 - 195.25	194.25 - 195.25	18- 12 Jbu	3.47	1 le - 1 lepm	3.0				
riria	1762 - 1769	17.66 - 17 69	14-24 gradis	-1.53	54-7466	-1.4				
vitzerland .	2.2900 - 2.3030	2.2900 - 2.3000	# - ACDOM	1.31	& Types	1.0				
L	12750 - 12775	1.2750 - 1.2760	0 30-0 35cd is	-3 86	0.90-0.9966	-29				

Jan 18	Day's spread	Clase	One month	pa	Three months	94
Kt	1.5350 - 1.5505	1.5490 - 1.5500	0.55-0.53cpm	4.18	1_37-1_34pm	3.50
elandt	1.6135 - 1.6430 1.2755 - 1.2825	1.6395 - 1.6405 1.2760 - 1.2770	3.30-2.00cpm 0.38-0.45cd/s	19.39 -3.90	20-4 70pm 1 03-1 15fts	1329
theriands.		1.8180 - 1.8190	0 87-0.90cdls	5.81	2.15-2.2045	4.78
lahan	33.30 - 33 65	33.30 - 33.40	15.00-17.00cdk	-5.76	39 00-42,00dis	-4 86
murk	6.2255 - 6.3100	6,2275 - 6,2325		10.59	11.00-16.50dis	-8.83
ппару	1.6140 - 1.6355	1 6150 - 1.6160	0.81-0.83pldfs	-6.04	2.05-2.08dk	-511
rtogal	145 60 146.30	145 80 - 145.90		-12.38	393-408dk	-10.98
aln	114.55 - 115.05	114 60 - 114.70		12.72	320-325dis	-11.25
lly		1490.25 - 1490.75			33,00-36 00dls	-9.26
rway	68175 - 69030	6 8175 - 6,8225	4,15-4,75oreds	-7.83	11.20-12.30dfs	-6.89
34CE		5.4650 - 5.4700	4.00-4.25ada	-9.05	10.25-10.65dm	-7.65
eder	7.2220 - 7.2855	7.2275 - 7.2325	4.30-4.90oredls	-7.63	11.20-12.30dis	-650
parl	125.40 - 125.65	125.60 - 125.70	0.06-0 07ydls	-0.62	0.11-0.12dfs	-0 37
striz	11.3940 - 11.5025	11.3950 - 11.4000	5.34-5,74grodis	-583	13 85-14.95ds	-5.05
luctions.	1.4790 - 1.4960	1,4800 - 1,4810	0.32-0.36cds	-2.76	0 87-0,94dls	-245
of	1 2025 - 1,2150	1.2130 · 1.2140	0.77-0.72cm	7.37	2.01-1.95om	6.53

Jan 18	Short	7 Etays	One	Three	Six	One
	term	notice	Month	Months	Months	Yese
terling S Dollar Jon D	57150575757575 67150575757575 67150575757575 671505757575 671505757575 6715057575 67150575 67150575 67150575 67150575 67150575 67150575 67150 671505 67150 671505 67150 67150 67150 67150 67150 67150	63 - 68 - 12 - 12 - 13 - 14 - 15 - 15 - 15 - 15 - 15 - 15 - 15	7 - 63-63-63-63-63-63-63-63-63-63-63-63-63-6	7 - 64 32 - 32 65 - 65 51 - 57 51 - 55 83 - 84 114 - 104 84 - 84 13 - 115 34 - 24 14 - 144	67.55.25.25.25.25.25.25.25.25.25.25.25.25.	64 - 6 31 - 3 7 - 6 75 - 7 94 - 9 125 - 12 750 - 3 104 - 9 149 - 14

			EXC	HA	NGE	CR	0\$\$	RAT	TES			
Jan.18	£	\$	050	Yes	F Fr.	S Fr.	N FI.	Lira	a	O Fr.	Pta.	Eco
3	1	1.550	2.503	194.8	0.473	2.295	2818	2310.	1.977	51.65	177.5	127
DA	0.645	2410	1.615	125.7	5.466 3.385	L481	1 818 1.126	1490	1.275	33.32	114.5	0.82
YER	0 400 5.133	0.619 7.957	12.65	77.83 1000.	43.50	0.917 11.78	14.47	922.9 11858	0.790	26.64	70.91	6.55
FFe.	1,180	1.829	2954	229.9	10.	2,709	3326	2726	2333	60.96	209.5	1.50
	0.436	0.675	1091	84.68	3,692	2101	1.228	1007	0.861	22.51	77.34	0.50
NFL.	0.355	0.550	0.888	69.13	3.007	0.814	1	819.7	0.702	18 33	62.99	0.45
Lica	0 433	0.671	1.084	64.33	3.668	0.994	1.220	1000	0.856	18.33 22.36	76.64	0.5
CS	0.506	0.784	1.266	98.53	4.286	1.161	1.425	1168	ī	26.13	89.78	0.64
B.Fr.	1.936	3.001	4.B46	377.2	15.40	4.443	5.456	4472	3.828	100.	343.7	247
	0.563	0.873	1.410	109.7	4,774	1.293	1.588	1301	1114	29.10	100.	0.71
Ęœ	0.784	1.215	1.962	152.7	6.640	1.799	2.208	1810	1.549	40.48	139.1	1,

		The same of the sa
	LIFFE LONG GILT FUTURES OPTIONS ESO,000 64ths of 100%	LIFFE US TREASURY BOND FUTURES OPTIONS S100,000 64% of 108%
	Strike Calls-actilements Puts-settlements Price Mar Jun Mar Jun	Strike Calify-settlements Pots-settlements Price Mar Jun Star Jun
dated	97 2-53 4-12 0-09 0-40	105 2-42 2-38 0-18 1-28 104 1-67 2-09 0-33 1-57
dated	98 1-63 3-25 0-19 0-53 99 1-17 2-46 0-37 1-10 100 0-47 2-05 1-03 1-36	1004 1-57 2-03 0-33 1-57 103 1-16 1-38 0-56 2-28 106 0-48 1-13 1-24 3-03 107 0-26 0-57 2-02 3-47
4	1 101 6-24 1-39 1-44 2-03	ine 0-13 0-41 2-53 4-31
t and t lim-	103 0-05 0-56 3-25 3-20 104 0-02 0-40 4-22 4-04	109 0-06 3-46 110 0-03 4-43
can	Estimates volume total, Calls 231 Pots 898 Previous day's open let. Calls 15958 Puts 21805	Estimated volume total, Calls O Puts O Previous day's open lot. Calls 65 Puts 150
illeves		
this	LIFFE EUROMANIK OPTIONS 11M1:n points of 180%	OPTEMS Lin 200m (879) PUTURES OPTEMS Lin 200m 1000s of 100%
	Strike Calls-settlements Puts-settlements Price Mar Jun Mar Jun	Strice Calls-settlements Poss-settlements Price Mar Jun Mar Jun
Euro-	9150 069 1.49 0.09 0.03 9175 0.48 1.26 0.07 0.05	Prior Mar lon Mar Jun 9400 1.76 2.77 0.99 1.44 9400 1.72 2.44 0.75 1.65 9400 1.32 2.44 0.75 1.65 9400 1.32 2.18 0.96 1.65 9400 0.67 1.32 1.20 2.14
inism d, for	9200 030 1.03 0.14 0.07	9650 113 2.18 0.96 129 9500 0.87 1.93 1.20 2.14
every	9225 0.18 0.82 0.27 0.11 9250 0.10 0.62 0.44 0.16 9275 0.06 0.46 0.65 0.25 9300 0.04 0.32 0.88 0.36	9850 0.65 1.70 1.48 2.41 9609 0.48 1.50 1.81 2.71 9650 0.35 1.31 2.18 1.02
in 50	9325 0.03 0.23 1.12 0.52	47 00) U.25 I.14 Z.36 3.3 7
m its Euro-	Estimated volume total. Calls 4291 Puts 1115 Previous day's open int. Calls 116917 Puts 69509	Estimated volume total Calls 1228 Pots 462 Previous day's open int. Calls 5247 Puts 2957
	LITTLE CHIEF CHIEF COLLEC SOTTONE	CHICAGO
the	LEFFE EURO SWISS FRANC OPTIONS SFR las points of 100%	U.S. TREASURY BONDS SCRIT 8%
the	Strike Calls-settlements Puts-settlements Price Mar Jun Mar Jun	\$100,000 32mb of 100% Labet High Low Pres
nd it the	9425 0.33 0.78 0.14 0.19 9450 0.18 0.58 0.24 0.24	Mar 105-11 105-15 105-09 105-15
cen-	9475 0 11 0.41 0.42 0.32 Estimated volume total, Calls 150 Pats 0 Previous day's open int. Calls 1712 Pats 3006	Sep 103-01 103-01 103-00 103-01 - Dec 101-26 101-29 101-26 101-29
Pres-	Previous day's open int. Calls 1712 Pats 3006	Mar 100-28 100-28 100-28 100-03
ased. rates	LONDON (LIFFE)	Sec
and	9% NOTEMAL BRITISH GELT * 150,000 32ab of 100%	Mar - 97-23 Jan - 97-04
Fri-	Close High Low Prev.	U.S. THEASURY ETLS (1900)
cent.	Glose High Low Prev. Mar 99-22 100-02 99-18 100-04 Jun 100-18 100-18 100-10 100-28	Star points of 196% Latest High Low Prev.
	Estimated volume 21074 (27590) Previous day's open int. 55629 (54753)	Mar 97 61 97 61 97 61 97 61 97 61 98 77 98 78 98 77 98 78
	US TREASURY BONDS 8% * \$100,600 32ms of 190%	Sep 9643 96.45 96.43 96.45 Dec 96.05
enc:	Close High Low Pres.	RECTESH POUND CINIO
ator	Jon 104-05 104-01	Six per £
	Estimated volume 252 (25) Previous day's open let. 691 (701)	Mar 1,5384 1,5414 1,5240 1,5222 1,500 1,5280 1,5300 1,5300 1,5340 1,5106
	6% NOTTONAL GERMAN COVT. BOND ** DM250,000 1000% of 100%	Jun 1.5280 1.5300 1.5340 1.5106 Sep 1.5160 1.5190 1.5160 1.5012
8	Close High Low Pres. Nar 93.21 93.31 93.16 93.22	SWISS PRANC CHOIC
Ī	Jun 93.23 93.30 93.19 93.24	SFr 125,000 S per SFr
changes	Estimated volume 40889 (54212) Previous day's ocea ust. 153747 (157339)	Latest High Low Peer. Mar 0.6719 0.6722 0.6645 0.6656
ads: the	6% NOTIONAL LONG TERM JAPANESE COYT. BURD Y100m 160th of 100%	Sep 0.6680 0.6685 0.6663 0.6629
	Clase High Law	
	Mar 109.35 109.40 109.34	
	Jan 108.74	
D		PHILADEL PHIA SE E/S OPTIONS CST_250 (comb per CD
ND NA	Jim 108.74 Estinated volume BIJ (462) Traded exclusively on APT 12% NOTIONAL ITALIAN COVT, BOND CETP) *	Strike Calls
9.a. 3.50	Jun 108.74 Estimated volume BIJ (462) Traded exclusively on APT 12% MOTERNAL TYALIAN COVY, BOND CRYPS * LERA 200m 1000s of 100%	Strike Feb Mar Acr Lan
3.50	Jim 108.74 Estimated volume B13 (462) Traded exclusively on APT 12% HOTZEMAL TRALLAW COVT, BOND CETPS * LIERA 200m 1000m of 100% Close High Low Prev. ISar 94.67 94.83 94.39 94.30 Jun 94.79 94.42	Strike Feb Mar Acr Lan
3.50	Jun 108.74 Estimated volume BIJ (462) Traded exclusively on APT 12% MOTERNAL TYALIAN COVY, BOND CRYPS * LERA 200m 1000s of 100%	Strike Feb Mar Acr Lan
3.50 0.23 -1.06 -1.24 -5.31 11.98	Jam 108.74 Estimated volume BL3 (462) Traded exchancely on APT 12%, NOTRONAL TRALIAN COVT, BOND (BTTP) LERA 200m 1000m of 100% Close High Low Prev. Riar 94.67 94.83 94.39 94.30 Jun 94.79 94.42 Estimated volume 10481 63460 Previous Gay's open int. 24569 (24699) THREE MONTH STERLING	Strike Feb Mar Acr Lin 1475 6.82 6.94 7.21 7.56 1.500 4.10 4.10 1.500 1.500 1.500 2.39 2.99 3.71 1.500 0.72 0.89 1.43 2.14 1.625 0.09 0.48 0.93 1.54 1.55 1.55 0.78 0.78 0.78 0.78 0.78 0.78 0.78 0.78
3.50 0.23 -1.24 -1.31 11.98 -1.72 -7.77	Jam 108.74 Estimated volume BL3 V462) Traded exchainely on APT 12% NOTRINAL TRALIAN COVT, BOND CETTY) LERA 200m 1000m of 100% Close High Low Prev. Idlar 94.07 94.83 94.39 94.30 Jun 94.79 94.30 LETIMATED AND TO BOND CETTY 94.42 Estimated volume 10.481 034807 Previous day's open int. 24969 1248960 THREE MONTH STERLING 4509,000 prints of 109%	Strike Feb Mar Acr Lan
3.50 0.23 -1.24 -1.31 11.98 -1.72 -7.77	Jan 108.74 Estimated volume B13 (462) Traded exchainely on APT 12% NOTIONAL TRALIAN COVT, BOND CITTY 1 12% NOTIONAL TRALIAN CITY, BOND CITY 1 12% NOTIONAL TRALIAN CITY, BOND CITY 1 12% NOTIONAL TRALIAN CITY 1 12% NOTIONAL TR	Strike Feb Mar Acr Lini 1475 6.82 6.94 7.21 7.56 1.500 4.69 5.13 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.60 2.39 2.93 3.71 1.570 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.84 1.625 0.90 0.48 0.93 1.56 Pervious day's open int: Calts 507,491 Parts St82.277 (Adl
50000000000000000000000000000000000000	Jan 108.74 Estimated volume 813 4652) Traded exclusively on APT 12% NOTIONAL TRALIAN COVT, BOND CITTY * LIBA 200m 1000m of 100% Close High Low Prex. 15ar 94.67 94.83 94.39 94.30 Jun 94.79 94.30 Jun 94.79 94.83 94.39 94.50 Frevious day's open left. 249549 1249593 THREE MONTH STEELING * \$508,000 pulses of 100% Close High Low Prex. \$508,000 pulses of 100% Close High Low Prex. 33.43 93.47 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.85 Sep 93.81 93.87 93.81 93.85 Doc 93.88 93.72 93.85 93.65	Strike
3.50 3.50 3.50 3.50 3.50 3.50 3.50 3.50	Jan 108.74 Estimated volume 813 (462) Traded exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND CRYPY LIBRA 200m 1000m of 100% Close High Low Prev. 101m 94.77 94.79 Estimated volume 10481 (8480) Previous day's open let. 24869 (24898) THREE MUNTH STERLING. 508,000 prints of 100% Mor 93.43 93.47 93.42 93.49 Jon 93.74 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.86 Mar 93.51 93.52 93.65 93.66 Mar 93.51 93.52 93.65 93.66 Mar 93.51 93.52 93.65 93.65	Strike Feb Mar Acr Licit Price Feb Mar Acr Licit 1475 6.82 6.94 7.21 7.56 1.500 4.69 5.13 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.60 2.39 2.93 3.71 1.575 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.56 Previous day's open int: Calls 507,491 Prics 582,277 (All Previous day's volumer. Calls 16,638 Pub 37,483 (AR cr
350 350 350 350 350 350 350 350 350 350	Jun 108.74 Estinated volume 813 (462) Tradef exchainely on APT 12% NOTIONAL TYALIAM COVT, BOND CITTY LIRA 200m 1000m of 100% Close High Low Prev. Idlar 94.67 94.83 94.99 94.30 Jun 94.79 94.30 Previous day's open int. 24969 (24898) THREE MONTH STERLING SCOR, 000 prints of 100% Low Prev. Mar 93.43 93.47 93.49 Jun 93.74 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.85 Dec 93.81 93.87 93.81 93.85 Dec 93.81 93.87 93.80 93.93 Jun 93.81 93.87 93.80 93.85 Jun 93.81 93.87 93.80 Jun 93.81 93.87 Jun 93.81 Jun 93.81 93.87 Jun 93.81 J	Strike Feb Mar Acr Lini Price Feb Mar Acr Lini 1475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.500 4.69 513 5.53 6.10 1.500 1.60 2.39 2.93 3.71 1.575 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.56 Previous day's open int: Calls 507,491 Puts 582,277 (All Previous day's volume. Calls 16,638 Puts 57,483 (All cur PARIS 7 to 10 YEAR 10% NOTERNAL FRENCH 98000 SHATUF) F- Open Set; price Change 113,44 113 64 40.24
3.50 3.50 3.50 3.50 3.50 3.50 3.50 3.50	Jan 108.74 Estimated volume 813 (462) Traded exclusively on APT 12%, MOTERNAL TYALIAM COVT, BOND CRYPY LIBN 200m 1000m of 100%, Close High Low Prev. 15ar 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 (8480) Previous Cay's open Int. 24699 (24899) THREE MONTH STERLING. 2508,000 prints of 100% Low Prev. 100 93.43 93.67 93.67 93.69 100 93.64 93.72 93.69 100 93.68 93.72 93.69 100 93.69 93.69 100 93.69 93.72 93.69 100 93.69 93.72 93.69 100 93.69 93.72 93.69 100 93.69 93.72 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.79 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93.69 93.69 100 93	Strike Feb Mar Acr Lin
9. 0.4 3.50 9. 2.50 9. 2.50 11.98 11	Jam 108.74 Estimated volume 813 (4622) Traded exclusively on APT 12% NOTEMAL TYALIAN COVT, BOND ONTO 1ERA 200m 1000m of 1000% ISSUE 94.67 94.83 94.39 94.30 Jun 94.67 94.83 94.39 94.30 Settimated volume 10481 (3480) Previous day's open int. 249549 (24998) Third: MUNTH STERLING. 5508,000 prints of 100% Clove High Low Prev. \$508,000 prints of 100% Clove 100% Mar 93.41 93.87 93.27 93.80 Sep 93.81 93.87 93.87 93.87 Sep 93.81 93.87 93.87 93.80 Sep 93.81 93.87 93.87 93.80 Jun 93.18 93.17 93.10 93.13 Est. Vol. Onc. ling. net shown 34519 (53807) Previous day's open int. 225224 (227357) THERE MONTH ELIRODOLLAR * TIMBE MONTH ELIRODOLLAR * TIMBE MONTH ELIRODOLLAR * TIMBE MONTH ELIRODOLLAR *	Surface Feb Marc Acr Acr
9.04 9.00 9.00 9.00 9.00 9.00 9.00 9.00	Jam 108.74 Estimated volume 813 (4622) Traded exclusively on APT 12% NOTEMBAL TYALIAN COVT, BOND ONTO 1ERA 200m 1000m of 1000% 1ERA 200m	SURINE Feb Mar Acr Len 1475 6.82 6.94 7.21 7.56 1.475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.60 2.39 2.93 3.71 1.575 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.14 1.600 0.32 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.56 Previous day's volumer. Calls 16,638 Pats 37,483 (All Cr PARIS 7 to 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. Warch 113,64 1.13 64 40.24 1.14 64 40.24 September 114.40 114 64 40.24 S
9.04 9.03 9.04 9.03 9.04 9.04 9.04 9.04 9.04 9.04 9.04 9.04	Jan 108.74	Strike Feb Mar Acr Lin
9.04 9.03 9.04 9.03 9.04 9.04 9.04 9.04 9.04 9.04 9.04 9.04	Jan 108.74 Estimated volume 813 (462) Treaded exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND CRYPY LIBN 200m 1000m of 100% Close High Low Prev. Idlan 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 (8480) Previous Gay's open Int. 24869 (24898) THREE MONTH STERLING. Close High Low Prev. Sep 93.43 93.47 93.49 93.73 93.80 Sep 93.61 93.67 93.87 93.81 93.86 Dec 93.68 93.72 93.69 13.89 Dec 93.68 93.72 93.69 93.69 Dec 93.68 93.72 93.69 93.69 Dec 93.68 93.72 93.65 93.69 Dec 93.68 93.72 93.65 93.69 Dec 93.68 93.72 93.65 93.69 Dec 93.68 93.72 93.55 93.69 Dec 93.68 93.72 93.56 93.69 Three Sterling Ster	Strike Feb Mar Acr Lin 1475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.550 0.78 1.510 2.39 2.93 3.71 1.550 1.60 2.39 2.93 3.71 1.550 0.78 1.51 2.11 2.81 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.89 1.43 2.14 1.600 0.73 1.500 0.79 1.
9.4 3.50 9.23 -1.24 -5.11 98 -1.52 -7.76 -3.29 -2.74 -3.29 -2.75 -3.29 -2.76 -3.29 -	Jan 108.74 Tradef exclusively on APT Tradef Trad	Strike Feb Mar Acr Lan 1.475 6.82 6.94 7.21 7.56 1.475 6.82 6.94 7.21 7.56 1.525 2.69 3.56 4.10 4.79 1.525 2.69 3.56 4.10 4.79 1.525 2.69 3.56 4.10 4.79 1.525 2.69 3.59 2.99 2.91 3.71 1.525 0.78 1.51 2.11 2.81 1.525 0.78 1.51 2.11 2.81 1.525 0.78 0.78 1.51 2.11 2.81 1.600 0.79 1.43 2.14 2.81 1.600 0.79 1.43 2.14 2.81 1.600 0.79 1.43 2.14 2.81 1.600 0.79 1.43 2.14 2.81 1.600 0.79 1.43 2.14 1.600 0.79 1.43 2.14 1.600 0.79 1.59 1.59 1.59 1.59 1.43 2.14 1.600 0.79 1.59 1.59 1.59 1.59 1.59 1.59 1.59 1.5
9. p.d. 3.50 -1.5198 -	Jun 108.74 Estimated volume SL3 (482) Traded exclusively on APT 12% NOTEMAL TYALIAM COVT, BOND OFFP * LIBRA 200m 1000m of 100% * Close Migh Low Prev. Biar 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10.061 034600 Previous day's open int. 29150 1245960 THINEE MONTH STERLING * SC00,000 prints of 100% Low Prev. Low High Low Prev. SC00,000 prints of 100% Low Prev. Low High Low Prev. SC00,000 prints of 100% Low Prev. Jun 93.43 93.47 93.42 93.49 Jun 93.74 93.87 93.16 93.85 Occ 93.67 93.77 93.56 93.69 Mar 93.51 93.17 93.10 93.13 Est. Vol. One. High act shown) 34519 (53807) Previous day's open int. 226294 (227357) THREE MONTH EURODOLLAR * Sim points of 100% Close High Low Prev. Mar 96.64 96.62 96.59 Jun 96.34 96.34 96.35 96.59 Sop 95.96 93.96 95.94 95.93 Dec 95.37 95.36 95.36 95.33 Est. Vol. (Inc., Figs. met shown) 1115 (1509) Previous day's open int. 20418 (20122) THREE MONTH EURODOLLAR Sim points of 100% Close High Low Prev. Mar 96.49 96.49 96.52 96.59 Dec 95.37 95.36 95.36 95.33 Est. Vol. (Inc., Figs. met shown) 1115 (1509) Previous day's open int. 20418 (20122) THREE MONTH EUROMARK	SURBLE PRINT ACT LCS PRINT ACT
9. p. 3. 50 9. 2. 3. 50 9. 2. 3. 50 9. 2. 3. 50 9. 50	Jam 108.74 Jam 108.74 Estimated volume SIJ (MS2) Treaded exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND OFFP * LIBRA 200m 1000m of 100% Close Migh Low Prev. Biar 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 08480 Previous day's open int. 24569 1245960 THINEE MONTH STERLING SCOR, 800 prints of 100% Close Migh Low Prev. Jun 93.43 93.47 93.42 93.49 Jun 93.43 93.47 93.42 93.49 Jun 93.43 93.87 93.18 93.86 Dec 93.67 93.17 93.10 93.13 Est. Vol. Onc. High Low 97ev. Mar 93.51 93.52 93.48 93.69 Jun 93.51 93.52 93.48 93.69 Linu 93.51 93.52 93.59 93.69 THERE MONTH EURODOLLAR * Sim points of 100% Low Prev. Mar 96.64 96.62 96.59 100 96.34 96.34 96.52 Spo 95.96 93.96 95.96 95.96 Dec 95.37 95.36 95.36 95.33 Dec 95.37 95.36 95.36 95.33 Est. Vol. Linu Figs. met showed 1115 (1509) Previous day's open int. 20418 (20122) THERE MONTH EUROMARK * Mar 96.64 96.62 96.59 Dec 95.37 95.36 95.36 95.33 Dec 95.37 95.36 95.36 95.33 Est. Vol. Linu Figs. met showed 1115 (1509) Previous day's open int. 20418 (20122) THERE MONTH EUROMARK * Mal Im biolos of 100°2 Low Prev. Mar 90.16 97.55 97.15 97.36	Strike Feb Mary Acr Len
9. p. 3.50 -1.24 -5.198	Jam 108.74 Jam 108.74 Estimated volume SIJ (MS2) Treaded exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND OFFP * LIBRA 200m 1000m of 100% Close Migh Low Prev. Biar 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 08480 Previous day's open int. 24569 1245960 THINEE MONTH STERLING SCOR, 800 prints of 100% Close Migh Low Prev. Jun 93.43 93.47 93.42 93.49 Jun 93.43 93.47 93.42 93.49 Jun 93.43 93.87 93.18 93.86 Dec 93.67 93.17 93.10 93.13 Est. Vol. Onc. High Low 97ev. Mar 93.51 93.52 93.48 93.69 Jun 93.51 93.52 93.48 93.69 Linu 93.51 93.52 93.59 93.69 THERE MONTH EURODOLLAR * Sim points of 100% Low Prev. Mar 96.64 96.62 96.59 100 96.34 96.34 96.52 Spo 95.96 93.96 95.96 95.96 Dec 95.37 95.36 95.36 95.33 Dec 95.37 95.36 95.36 95.33 Est. Vol. Linu Figs. met showed 1115 (1509) Previous day's open int. 20418 (20122) THERE MONTH EUROMARK * Mar 96.64 96.62 96.59 Dec 95.37 95.36 95.36 95.33 Dec 95.37 95.36 95.36 95.33 Est. Vol. Linu Figs. met showed 1115 (1509) Previous day's open int. 20418 (20122) THERE MONTH EUROMARK * Mal Im biolos of 100°2 Low Prev. Mar 90.16 97.55 97.15 97.36	Strike Feb Mar Acr Lim Price Feb Mar Acr Lim 1.475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.525 1.60 2.39 2.93 3.71 1.525 0.78 1.51 2.11 2.81 1.520 0.78 1.51 2.11 2.81 1.520 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.56 Pervious day's volume: Calls 16,638 Puts 37,483 (All cr) PARIS 7 to 10 YEAR 10% NOTIONAL FRENCH WORLD WARTIFF F Opes Sext price Change March 113,44 113 64 -0.20 June 114,40 114 64 40.24 September 114,36 114 69 40.24 September 22,54 17 total Open Interest 279,943 THERE-MORTH PIBOR FUTURES MARTIFF (Paris interheads March 90.42 90.45 40 90 June 91.93 91.93 40.02 September 92,55 92,78 0.03 Estimated volume 30,090 1 total Open Interest 152,999 CAC-48 FUTURES MARTIFF Stock Index Lamany 18,86 0 1851.0 4.00 February 1875.0 1870.5 40.50 March 1699.0 1888 0 1.105 June 1.105 Jun
9. p. 3. 50 22 - 5. 19. 8. 19. 19. 19. 19. 19. 19. 19. 19. 19. 19	Jam 108.74 Estimated volume 813 (462) Traded exclusively on APT Tarded exclusively on APT 12% NOTEMAL TYALIAM COVT, BOND OFFP LERA 200m 100ths of 100% Close High Low Prev. 108 46.7 94.83 94.39 94.30 Jun 94.67 94.83 94.39 94.30 Jun 94.67 94.83 94.39 94.30 Fertimated volume 10481 634809 Previous day's open int. 24669 (24899) THIREE MONTH STEMLINE. 508,840 prints of 100% Close High Low Prev. 509,840 prints of 100% Sep 93.61 93.67 93.67 93.69 Jun 93.69 33.72 93.66 93.69 Mar 93.51 93.52 93.68 93.81 Jun 93.51 93.52 93.68 93.81 Jun 93.51 93.52 93.69 Frevious day's open int. 248294 (227357) THREE MONTH EUROBOALAR STAIN 96.33 96.32 Sep 95.47 93.36 96.39 Sep 95.47 95.36 95.34 Sep 95.47 95.36 95.37 Sep 95.47 95.36 95.37 FIREE MONTH EUROBOALAR STAIN points of 100% Mar 96.44 96.45 96.59 Sep 95.47 95.36 95.94 95.93 Set Vol. (Inc., Figs., not shown) 1115 (1508) Previous day's open int. 24018 (20122) THREE MONTH EUROBOARK * Mar 92.16 92.25 92.15 92.33 Est, Vol., (Inc., Figs., not shown) 1115 (1508) Previous day's open int. 2018 (20122) THREE MONTH EUROBOARK * Mar 94.02 94.05 93.99 93.99 93.97 Mar 94.02 94.05 93.99 93.99 93.97	Strike Feb May Acr Len Private Feb May Acr Len 1475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.60 2.39 2.93 3.71 1.550 1.60 2.39 2.93 3.71 1.550 1.60 2.39 2.93 3.71 1.575 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.56 Perfors day's rotumer. Calls 16,638 Pats 37,483 (All Cr PARIS 7 to 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. To 10 VEAR 10% NOTIONAL FRENCH NOMB (MAKUF) F. TO 10 VEAR
9. p. 3. 50 22 - 5. 19. 8. 19. 19. 19. 19. 19. 19. 19. 19. 19. 19	Jam 108.74 Estimated volume 813 (462) Traded exclusively on APT Tarded exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND CRTP) * LIBN 208m 1008m of 180% Close High Low Prev. 108 94.77 Estimated volume 10481 (8480) Previous day's open let. 24899 (24898) THREE MONTH STERLING. 20 93.74 93.75 93.87 94.87 94.87 94.87 95.87 95.97 95.97 95.97 95.97 95.97 95.97 96.97 97.97	Strike Feb Mar Acr Lim Price Feb Mar Acr Lim 1.475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.525 1.60 2.39 2.93 3.71 1.525 0.78 1.51 2.11 2.81 1.520 0.78 1.51 2.11 2.81 1.520 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.600 0.32 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.56 Pervious day's volume: Calls 16,638 Puts 37,483 (All cr) PARIS 7 to 10 YEAR 10% NOTIONAL FRENCH WORLD WARTIFF F Opes Sext price Change March 113,44 113 64 -0.20 June 114,40 114 64 40.24 September 114,36 114 69 40.24 September 22,54 17 total Open Interest 279,943 THERE-MORTH PIBOR FUTURES MARTIFF (Paris interheads March 90.42 90.45 40 90 June 91.93 91.93 40.02 September 92,55 92,78 0.03 Estimated volume 30,090 1 total Open Interest 152,999 CAC-48 FUTURES MARTIFF Stock Index Lamany 18,86 0 1851.0 4.00 February 1875.0 1870.5 40.50 March 1699.0 1888 0 1.105 June 1.105 Jun
9. 4. 3. 50 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jan 108.74 Estimated volume 813 (462) Traded exclusively on APT Traded exclusively on APT Traded exclusively on APT Traded exclusively on APT TRADE Exclusively on APT LIBR 200m 1000m of 100% Crose High Low Prev. Estimated volume 10481 (8480) Previous day's onen let. 24869 (24898) THREE MONTH STERLING. Sep 93.81 93.87 93.81 93.87 Jun 93.74 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.81 Sep 93.81 93.87 93.81 93.81 Sep 93.81 93.87 93.80 Jun 93.89 93.72 93.65 93.67 Jun 93.89 93.72 93.65 93.67 Jun 93.89 93.77 93.65 93.67 Jun 93.89 93.79 93.89 Sep 93.89 93.87 93.89 Sep 93.89 93.87 93.88 Sep 93.89 93.87 93.88 Sep 93.89 93.87 93.88 Sep 93.89 93.87 93.88 THREE MONTH EUROBOLLAR SIm points of 180% Low Prev. Mar 96.64 96.64 96.62 96.99 Dec 95.37 93.89 95.36 95.36 Sep 95.37 93.36 95.36 95.35 Sep 95.37 93.36 95.36 95.35 Sep 95.37 93.36 95.36 95.35 Sep 93.89 93.55 93.99 93.34 Jun Points of 180% Mar 92.16 92.25 92.15 92.35 Sep 93.89 93.55 93.99 93.94 Jun 94.02 94.06 93.98 94.07 Jun 94.02 94.06 93.98 94.07 Jun 94.02 94.06 93.98 94.07 Jun 20.96 93.72 93.76 93.70 93.77 Jun 94.02 94.06 93.98 94.07 Jun 20.96 93.72 93.76 93.70 93.77 Jun 94.02 94.06 93.98 94.07 Jun 94.02 94.06 93.98 94.07 Jun 20.96 93.72 93.76 93.70 93.77 Jun 20.96 93.72 93.76 93.70 93.77 Jun 20.96 93.72 93.76 93.70 93.97 Jun 94.02 94.06 93.98 94.07 Jun 20.96 93.76 93.78 94.07 Jun 20.96 93.78 93.78 94.07 Jun 20.96 93.78 93.98 94.07 Jun 20.96 93.	Strike Feb Mar Acr Lind 1475 6.82 6.94 7.21 7.56 1.475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.69 3.56 4.10 4.79 1.550 4.69 513 5.53 6.10 1.525 2.69 3.56 4.10 4.79 1.550 1.56 1.57 0.78 1.51 2.11 2.81 1.500 0.78 1.51 2.11 2.81 1.500 0.79 0.78 1.51 2.11 2.81 1.600 0.79 0.79 1.43 2.14 1.600 0.79 0.79 1.43 2.14 1.600 0.79 1.43 2.14 1.600 0.79 1.43 2.14 1.600 0.79 1.43 2.14 1.600 0.79 1.59 1.59 1.59 1.43 2.14 1.600 0.79 1.50 1.50 1.50 1.50 1.50 1.50 1.50 1.50
9. 4. 3. 50 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jan 108.74 Estimated volume 813 (462) Frended exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND OFFP LERA 200m 1000m of 100% Crose High Low Prev. 15th 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 (8480) Previous day's open lat. 24869 (24898) THREE MONTH STERLING. Crow High Low Prev. Mar 93.43 93.47 93.67 93.42 93.49 Jon 93.74 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.86 Sep 93.81 93.87 93.81 93.86 Sep 93.81 93.87 93.81 93.86 Dec 93.89 93.79 93.81 93.86 Dec 93.89 93.79 93.81 93.86 Dec 93.89 93.79 93.81 93.87 Fill 93.80 93.87 93.87 Jun 93.18 93.17 93.80 93.73 93.80 Dec 93.89 93.87 93.81 93.86 Dec 93.89 93.87 93.87 93.87 93.87 FIREE MONTH EUROBOLLAR Sim points of 180% Low Prev. Mar 96.64 96.62 96.99 Dec 95.97 93.99 95.95 Dec 95.97 93.99 95.95 Dec 93.99 95.96 95.99 Dec 93.99 93.99 95.30 Sep 93.99 93.55 93.39 Sep 93.99 93.55 93.99 94.03 Jun 94.03 94.05 93.99 94.03 Jun 94.03 94.05 93.99 94.03 ETRIEE MONTH EUROBARIC Bill Im points of 100% Low Prev. Mar 92.66 93.72 93.76 93.70 93.77 Mar 94.03 94.05 93.99 94.03 Jun 94.03 94.05 93.99 94.03 Jun Previous day's open lat. 204.06 93.98 94.07 Jun 94.03 94.05 93.99 94.03 EEU Lorg paints of 180%	Strike Feb May Acr 1:
9. 4. 3. 50 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jan 108.74 Estimated volume 813 (462) Frended exclusively on APT 12% MOTERNAL TYALIAM COVT, BOND OFFP LERA 200m 1000m of 100% Crose High Low Prev. 15th 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 (8480) Previous day's open lat. 24869 (24898) THREE MONTH STERLING. Crow High Low Prev. Mar 93.43 93.47 93.67 93.42 93.49 Jon 93.74 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.86 Sep 93.81 93.87 93.81 93.86 Sep 93.81 93.87 93.81 93.86 Dec 93.89 93.79 93.81 93.86 Dec 93.89 93.79 93.81 93.86 Dec 93.89 93.79 93.81 93.87 Fill 93.80 93.87 93.87 Jun 93.18 93.17 93.80 93.73 93.80 Dec 93.89 93.87 93.81 93.86 Dec 93.89 93.87 93.87 93.87 93.87 FIREE MONTH EUROBOLLAR Sim points of 180% Low Prev. Mar 96.64 96.62 96.99 Dec 95.97 93.99 95.95 Dec 95.97 93.99 95.95 Dec 93.99 95.96 95.99 Dec 93.99 93.99 95.30 Sep 93.99 93.55 93.39 Sep 93.99 93.55 93.99 94.03 Jun 94.03 94.05 93.99 94.03 Jun 94.03 94.05 93.99 94.03 ETRIEE MONTH EUROBARIC Bill Im points of 100% Low Prev. Mar 92.66 93.72 93.76 93.70 93.77 Mar 94.03 94.05 93.99 94.03 Jun 94.03 94.05 93.99 94.03 Jun Previous day's open lat. 204.06 93.98 94.07 Jun 94.03 94.05 93.99 94.03 EEU Lorg paints of 180%	Strike Feb May Acr Lim Strike Feb May Acr Lim 1.475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.60 2.39 2.93 3.71 1.550 0.78 1.51 2.11 2.81 1.550 0.78 1.51 2.11 2.81 1.550 0.78 1.51 2.11 2.81 1.550 0.78 2.99 2.93 3.71 1.570 0.78 1.51 2.11 2.81 1.600 0.72 0.89 1.43 2.14 1.625 0.69 0.48 0.93 1.54 Previous day's volume: Calls 16.638 Puts 37.483 (AR cr) PARIS 7 to 10 YEAR 10% NOTIONAL FRENCH 90/80 06/KULF) Frevious day's volume: Calls 16.638 Puts 37.483 (AR cr) PARIS 7 to 10 YEAR 10% NOTIONAL FRENCH 90/80 06/KULF) Frevious day's volume: Calls 16.638 Puts 37.483 (AR cr) PARIS Narch 113.44 113.64 -0.20 June 114.40 114.64 +0.24 Extinated volumes 125,254 1 70/21 (200 laterest 274,9-43) THERE-MORTH PIBOR FUTURES DIABITED Paris interhands March 90.42 90.45 +0.09 June 91.93 91.93 +0.02 Soptember 125.79 92.56 +0.03 Decomber 92.85 92.78 -0.03 Existrated volume 30.090 1 Total Open Interest 152,999 CAC-40 PETURES (MATTIF) Stock Index January 18.80 1851.0 +1.00 February 18.75.0 1870.5 +0.53 March 1889.0 1880.0 +1.05 June 1889.0 1880.0 1.05 Lore Extinated volume 15.072 1 Total Open Interest 245.377 ECU Bibbs (MATTIF) Existrated volumes 3.670 1 Total Open Interest 12.004 BPTIDN OW LUNG-TERM FRENCH BONES (MATTIF) Extinated volumes 3.670 1 Total Open Interest 12.004 BPTIDN OW LUNG-TERM FRENCH BONES (MATTIF) Later 1.78 1.78 1.78 1.78 1.78 1.78 1.78 1.78
9. 4. 3. 50 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jam 108.74 Festimated volume SI3 (462) Frended exclusively on APT 12%, MOTERNAL TYALJAN COVT, BOND CRTP1 LERA 208m 1008m of 100% Close High Low Prev. 138	Strike Feb Mar Acr A
9. p. 3. 50 20 20 20 20 20 20 20 20 20 20 20 20 20	Jam 108.74 Estimated volume SIJ (482) Traded exclusively on APT 12%, MOTERNAL TYALLAW COVT, BOND OFFP LIRA 208m 1008s of 180% Close Migh Low Prev. Biar 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 08480 Tringte Month Strenne Clove Migh Low Prev. Size 93.43 93.47 93.42 93.49 Jun 93.43 93.47 93.42 93.49 Jun 93.43 93.47 93.47 93.42 93.49 Jun 93.47 93.87 93.18 93.85 Sep 93.81 93.17 93.10 93.13 Est. Vol. One lips net shrwol 34519 (53807) Previous day's open ind. 228244 (227357) THREE MONTH EURODOLLAR * Size point of 180% Clove High Low Prev. Mar 96.64 96.62 96.59 Jun 96.34 96.34 96.32 96.59 Jun 96.34 96.34 96.35 96.59 Sep 95.96 93.96 95.96 95.96 Previous day's open ind. 228248 (2212357) THREE MONTH EURODOLLAR * Size point of 180% Clove High Low Prev. Mar 96.64 96.64 96.52 96.59 Sep 95.96 93.96 95.96 95.93 Previous day's open ind. 22828 (2212357) THREE MONTH EUROMARK * Mar 96.64 96.54 96.52 96.59 Sep 93.49 93.55 93.96 93.35 Sep 93.49 93.55 93.96 93.95 Previous day's open ind. 20418 (20122) THREE MONTH EUROMARK * Mar 92.66 93.03 92.94 93.03 Sep 93.49 93.55 93.96 93.95 Previous day's open ind. 20518 (20122) THREE MONTH EUROMARK * Mar 92.66 93.03 92.94 93.03 Previous day's open ind. 20518 (20122) THREE MONTH EUROMARK * Mar 92.66 93.03 92.94 93.03 Previous day's open ind. 20518 (20122) THREE MONTH EUROMARK * Mar 92.66 93.03 92.94 93.03 Previous day's open ind. 20518 (20122) THREE MONTH EDU Core Prev. Mar 92.65 93.69 93.69 93.94 Prev. 93.72 93.75 93.75 93.75 Prev. 93.75 96.69 94.89 93.55 Estimated volume 18.70 (1115)	Strike Feb Mar Acr Lin
9. 4. 3. 50 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jun 108.74 Estimated volume SL3 (482) Frended exclusively on APT 12% MOTERNAL TYALLAW COVT, BOND CRTP1 LERA 208m 1008s of 180% Close High Low Prev. May 94.30 Jun 94.79 Estimated volume 10681 69860 THIRDE MONTH STERLING SCOR, May 108 129 129 Jun 93.43 93.47 93.42 93.49 Jun 93.74 93.80 93.73 93.89 Dec 93.64 93.72 93.69 93.69 Jun 93.84 93.87 93.10 93.13 Est. Vol. One. High Low Prev. May 93.18 93.17 93.10 Est. Vol. One. High Low Prev. May 93.18 93.17 93.10 Est. Vol. One. High Low Prev. May 93.18 93.69 Sop 93.64 93.67 93.72 93.69 Jun 93.84 93.87 93.18 93.17 THREE MONTH EURODOLLAR SIA 96.62 96.99 Jun 96.44 96.62 96.99 Jun 96.44 96.64 96.62 96.99 Jun 96.44 96.44 96.52 96.99 Jun 96.44 96.45 96.99 Jun 97.69 93.96 95.96 95.96 Jun 96.49 93.96 95.96 95.96 Jun 96.49 93.96 95.96 95.96 Jun 96.49 93.97 95.96 95.96 Jun 97.69 93.96 93.97 96.93 Jun 98.49 93.97 95.98 Jun 92.96 93.97 95.98 95.99 Jun 92.96 93.97 93.99 93.95 Jun 92.96 93.97 93.99 93.95 Jun 92.96 93.97 93.99 93.95 Jun 92.96 93.97 93.99 93.97 Jun 92.96 93.97 93.99 93.97 Jun 92.96 93.97 93.99 93.97 Jun 94.03 94.05 93.99 94.03 Jun 94.03 94.05 93.99 94.03 Jun 94.03 94.05 93.99 94.03 Jun 94.55 91.67 91.62 91.66 Jun 91.55 91.67 91.62 91.69	Strike Feb Mar Acr 1:: Strike Feb Mar Acr 1:: 1.475 6.82 6.94 7.21 7.56 1.500 4.69 5.13 5.53 6.19 1.525 2.69 3.59 2.99 2.91 3.71 1.520 1.69 1.59 2.99 2.99 3.71 1.520 0.78 1.51 2.11 2.81 1.520 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.520 0.79 0.78 1.51 2.11 2.81 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 1.50 PARIS 7 to 10 VEAR 10% NOTIONAL FRENCH NOWD UNAULT F. PARIS 7 to 10 VEAR 10% NOTIONAL FRENCH NOWD UNAULT F. PARIS 8 to 114.40 114.64 40.24 2.90 114.40 114.64 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.50 114.60 40.24 2.90 114.50 114.60 40.24 2.90 114.60 1
9. 4. 3. 50 10 10 10 10 10 10 10 10 10 10 10 10 10	Jam 108.74 Estimated volume 813 (462) Traded exclusively on APT LIBN 200m 1000m of 100% Crose High Low Prev. Bitar 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 (8480) Previous day's open let. 24989 (24998) THREE MONTH STERLING. Cove High Low Prev. Mar 93.43 93.47 93.42 93.49 Jun 93.74 93.80 93.73 93.80 Sep 93.81 93.87 93.81 93.87 Jun 93.81 93.87 93.86 Sep 93.81 93.87 93.85 Sep 93.81 93.87 93.85 Jun 93.81 93.87 93.85 Jun 93.81 93.87 93.85 Sep 93.89 93.81 93.87 93.85 Jun 93.89 93.77 93.86 93.87 TRIBEE MONTH EUROBOULAR Clore High Low Prev. Mar 96.64 96.64 96.62 96.99 Jun 96.34 93.34 96.33 96.32 Sep 95.37 93.36 95.36 95.36 Sep 95.37 93.36 95.36 95.37 Dec 95.37 93.36 95.36 95.36 Sep 95.37 93.36 93.37 93.35 Jun 96.84 96.34 96.32 96.39 Previous day's open let. 20418 (20122) THREE MONTH EUROBOULAR Was 90.52 93.89 93.94 93.35 Jun 94.03 94.05 93.99 94.03 Jun 94.03 94.05 94.07 95.05 Sep 92.26 92.25 92.25 92.25 Sep 92.26 92.26 92.25 92.25 Sep	Strike Feb May Acr 1:50 Strike Feb May Acr 1:50 1.475 6.82 6.94 7.21 7.56 1.500 4.69 513 5.53 6.10 1.525 2.89 3.56 4.10 4.79 1.550 1.60 2.39 2.93 3.71 1.575 0.78 1.51 2.11 2.81 1.570 0.78 1.51 2.11 2.81 1.570 0.78 1.51 2.11 2.81 1.570 0.78 0.78 1.51 2.11 2.81 1.570 0.78 0.78 1.51 2.11 2.81 1.570 0.78 0.78 1.51 2.11 2.81 1.600 0.72 0.89 1.43 2.14 1.600 0.72 0.73 1.600 1.600 0
9. p. 3. 50 20 24 25 3 22 24 25 3 25 25 25 25 25 25 25 25 25 25 25 25 25	Jam 108.74 Estimated volume SLJ MACC Frended exclusively on APT 1295, MOTERNAL TYALIAM COVT, BOND CRTP1 1296, MOTERNAL TYALIAM COVT, BOND CRTP1 LIBRA 200m 1000m of 100% Libra 94.67 94.83 94.39 94.30 Jun 94.79 Estimated volume 10481 68499 Previous day's open let. 24894 1248990 THREE MONTH STERLING 200 High Low Prev. 100 93.43 93.87 93.87 93.87 Jun 93.47 93.80 93.73 93.89 Dec 93.68 93.72 93.69 93.69 Dec 93.68 93.72 93.69 93.69 Let. Vol. Onc. High Low 93.13 93.86 Dec 93.68 93.17 93.10 93.13 Est. Vol. Onc. High 100% Clove High Low Prev. Mar 93.51 93.77 93.10 93.13 Est. Vol. Onc. High Low Prev. Mar 93.68 93.77 93.69 Est. Vol. (Inc. High Low Prev. Mar 96.64 96.62 96.52 Jun 90.34 96.34 96.35 96.39 Low 90.96 93.96 95.94 95.93 Dec 93.79 93.79 93.79 93.79 Est. Vol. (Inc., Figs. met shown) 111.5 (1569) Prevlous day's open int. 20418 (20122) THREE MONTH FURDINARIK Milm belots of 100% Low 90.96 93.99 93.99 94.07 Jun 90.29 90.99 93.99 94.07 Jun 90.59 99.69 92.59 92.59 Estimated volume 43893 (108622) Previous day's open int. 405743 (414742) Previous day's open int. 11672 (11673) THREE MONTH EURO SWESS FRANC	Strike Feb Mar Acr 1:: Strike Feb Mar Acr 1:: 1.475 6.82 6.94 7.21 7.56 1.500 4.69 5.13 5.53 6.19 1.525 2.69 3.59 2.99 2.91 3.71 1.520 1.69 1.59 2.99 2.99 3.71 1.520 0.78 1.51 2.11 2.81 1.520 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.520 0.78 0.78 1.51 2.11 2.81 1.520 0.79 0.78 1.51 2.11 2.81 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 2.14 1.620 0.79 0.79 1.43 1.50 PARIS 7 to 10 VEAR 10% NOTIONAL FRENCH NOWD UNAULT F. PARIS 7 to 10 VEAR 10% NOTIONAL FRENCH NOWD UNAULT F. PARIS 8 to 114.40 114.64 40.24 2.90 114.40 114.64 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.40 114.60 40.24 2.90 114.50 114.60 40.24 2.90 114.50 114.60 40.24 2.90 114.60 1

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Kar	90.52	90.60	90,48	90,50
Jue	91,65	91 67	91.62	91.66
Sep	92,26	92.25	92,23	92.27
Dec	92.58	92.60	92.55	92.56
Est Irrati Previous	ed volume 167 day's open in	70 (1115) L 11872 (11673)	
	MONTH EURO points of 18		PANC	
	Close	High	LOW	Prev.
Mar	94,44	94.50	94,42	94 48
Jan.	94 84	94 86	94.82	94.68
Sep .	95 08	95.10	95.08	95.13
Dec	95 17		-5.00	95.21
THREE	day's open la MUNTH EURO	USA INT.		_
LIRA 1,	Zinion reidi			
	Close	Hìgh	FOA	Prev.
War	87.68	87.85	87.65	87.68
Jon	88 26	88,34	88,20	88.15
Sep	68 46	88,46	88,40	88.39
Dec	88.52	68.55	88.50	88,49
Estimate Previous	d volume 130 day's open in	1 1886) L 16199 0	160741	
	od INDEX of	at		
	Clare	Ulah	l en	

_	\$25 per full lindex point
26222566	Close High Low Mar 2776 0 2794 0 2796.0 Jun 2796.0 2809.0 2790.0 Sep 2820.0 Estimated volume 5962 (10140) Previous day's open list, 47707 (47204)
56 53 52 57 70	Contracts traded on APT. Closing prices : POUND - DOLLAR
19	FT FOREIGN EXCHANGE RATES
-	Sout 1-mth 3-mth 6-mth 15495 15441 15369 15264

12-mth 1.5100

FE US TREASURY BOND FOTURES OPTIONS 19,800 64% of 108% 7762 7762 9250 9250 9350 9400 9450 9550 9550 15719985555017 000005555017 LIFFE SHORT STERLING OFTIONS £300,000 points of 100% Strike 9275 9300 9325 9350 9375 9400 9450 9450 0.71 0.50 0.51 0.17 0.10 0.03 0.03 TCAGO JAPANESE YEN CHIN Y12.5m S per Y100 105-09 104-02 103-00 101-26 100-28 105-15 104-08 103-01 101-29 100-28 Latest Align Low Pres. 0.6121 0.6124 0.6057 0.6057 0.6030 0.6054 0.6038 0.6000 0.5945 0.5945 0.5945 0.5916 TREASURY WILLS (DANG points of 198% 97.01 96.77 96.43 %.62 %.52 %5.73 %5.73 %5.66 %4.33 %3.89 Latest High Low Pres. 136 40 436 60 436 10 436 45 436 60 436 85 436.55 437.60 438.70 Latest High Low Prev. 0.6719 0.6722 0.6645 0.6656 0.6680 0.6685 0.6663 0.66619 ADELPHIA SE L/S OPTIONS SO (conts per EX) RIS 10 YEAR 10% NOTIONAL FRENCH NOND (MAKIF) FUTURES High 113 70 114,66 114 36 E-MOSTH PIBOR FUTBRES (MATIF) (Paris interbank offered rate) th 90.42 90.45 40.09 91.93 91.93 40.02 index 92.57 92.56 40.03 index 92.85 92.78 -0.03 used volume 30.090 1 Total Open Interes: 152,999 90.47 92.00 92.61 92.85 964 8.09 7.47 7.19 ned volume 15.072 | Treal Open Int OND GHATIFI 109.68 110.04 +0.30 ated volume 3,670 t Yotal Open Interest 12,004 8.51 12,004 M ON LONG-TERM FRENCH BORR CMATEF February 0.69 0.08 0.48 March 0.16 0.37 0.78 0.74 0.73 1.05

BASE LENDING RATES

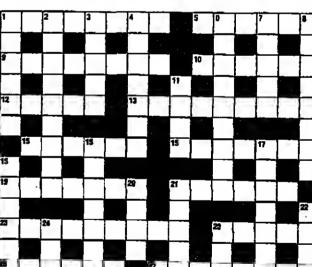
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Mount Banking _____7
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12,735

165,096



CORPORATE IDENTITY

MONEY MARKETS French rates softer

CASH RATES in the French markets closed softer yesterday, even though the Bank of France decided oot to alter its officially-posted interest rates, writes James Blitz.

The French franc's strong performance against the D-Mark last week had ied some dealars to think that France might re-iotroduce its five-10 day lending window yesterday, and cut the overnight lending rate below the 12 per ceot

Lingering bearishness in the Bundesbank may have stopped the French authorities taking this decision. Mr Hans Tiet-meyer, the Bundesbank Deputy President, said yesterday that the German inflation rate was still far above acceptable lev-

However, the French currency appeared to he unaf-fected by this comment and continued to hover around the FFr3.38 ievel to the D-Mark, more than 5 ceotimes above its floor against the German currency in the European exchange rate mechanism.

French cash rates consequently softeoed. Three month mooey yesterday fell from around 11½ per cent to 11 ¼ per cent yesterday. French franc futures also progressed slightly, with the March con-tract closing up 9 basis points on the day at 90.45.

At this level, it still assumes

that 3-month money will be st 9.55 per cent hy the spring, some 180 hasis points below yesterday's level.

Helped hy Mr Tietmeyer's comments, Euromark futures fell back yesterday, with the March contract closing at 92.16, some 7 basis points down on the day.

Short-dated rates in the sterling cash market were soft yesterday, in spite of a large short-age of £1.7bo forecast hy the Bank of England at the start of

However, most of the shortage was removed in the early round, conditions were easy for most of the day and the overnight iending rate progressively fell from its opening ievel of 6% per cent. Threemooth money closed unchanged, fractionally below the base rate figure of 7 per

At the weekend, Mr Norman Lamont, the UK Chancellor, signalled a cautious approach to further UK interest rate cuts, and this may have been responsible for the 6 hasis point cut in the March short

sterling contract to a close of 93.43. One dealer suggested that the market had never been expecting a rate cut, and the only issue of debate now was whether rates would be cut in the March hudget hy 50 or 100

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rice system are the emission exceeds completed up the exceeds are a large and all the last and affirm and	_	hi	d	3&	$\neg \tau$	gifer	34
alog rates are the arthmetic means rounded in the express one-sisteesth, of the bid and offered rat d to the market by five reference busis at 11.00 a.m. each working day. The hanks are Hatlonal I Bank of Tokye, Deutsche Bank, Banque Rational de Paris, and Morgan Gasarahy Trost.		worl		ng day. T Morgan	Toe bank Gearan	s are Hallona by Trust.	West

FT LONDON INTERBANK FIXING

NEW YORK	EW YORK Treasury Bills and Bonds							
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Jan.18	Overwight	One Month	Two Months	Three Months	Six Months	Lonbard Intervention		
Frankfurt. Paris Zurich Amsterdam Tokyo Milian Brussels Dublis	8.60-8.70 118-124 53-54 8.38-8.40 341-34 125-125 84-82 16-18	8.60-8.70 114-111 ₂ 54-55 8.30-8.35 34-38 1211-1212 03-84 30-35	0.50-8.65 : : : : : : : : : :	8.45-8.60 10[1-11], 32-31] 7.97-8.02 12[1-12], 8.4-83 18-25	8.00-8.10	9.50 9.10 - - -		
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Jan 18	Overnight	7 days notice	One Month	Three Months	Six Montis	One Year		
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vasary 81th tselft; one-moder rate of discount oder rate of discount coernier 31, 1992. Apr 38 p.c., Schemes II & 1, 1992. Det in Nov. 16, 1992. Det	onth 6% PC 6.2972 . i reed rates fo ii: 8.50 p.c. 232 p.c. i.c. e Houses Ba 4 per cent. i in 31 ₂ per c per cent, nir	r cent; thre ECGD Fixed r period Jam Reference ra Reference ra See Rate 7½ Certificates Sent; one-thr ne-twelve m	e months 61 Rat4 Steri mary 26, 19 ate for perior ty and Finara from James of Tax Depo- ce months 6 onths 5 per	y per cent; ling Export 93 to Februs d December to Houses st ry 1 , 1993; sit (Series 6) i per cent; ti cent: Under	Treasury 81 Finance. M Lry 23 , 199 1, 1992 to C Leven days in Bank Depos j. Deposk £1 irree-six mor	lis; Average lake up de 3, Scheme 3,

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Tricia Strong on 071-873 3199 Andrew Skarzynski on 071-873 3607 Philip Wrigley on 071-873 335 Joanne Gredell New York 212 752 4500 1 Party policy won't be one's main interest (8) 5 Temple ornament I'd mada (8) 11 Falls in the sea (4)

tiative (8) 10 Somehow lost on points – or was robbed? (6)

12 Fly from a ship (5)
13 Bears arms when involved in trouble (9)

stable (6) 23 Coastline irregular in parts

23 Coastline irregular in parts
(9)
25 Deposit a jacket and hood (5)
26 Tin-opener is cutting into the drink, in truth (6)
27 Is this provided just for dippers and divers? (4,4)
28 A round heavy-bodied port (6)
29 Do we turn switch to produce current? yes (8)

DOWN

1 Funny thing, it's way above what is the best (6)

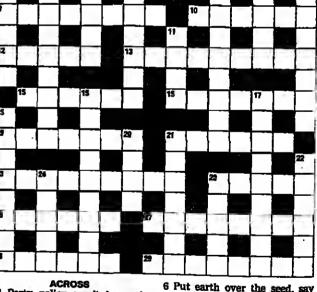
2 Fire and unload (9)

3 Praises the unper house in speech (5)

speech (5)
Uncle is out to get us, that's the heart of the matter (7)

Money Market **Bank Accounts** Hallfax Bidg Soc Asset Reserve Course Ass Tristic Road Hallian W1 276 IS 000-47 009 15 50 125,000-40 W0 16 50 125,000-40 W0 16 50 125,000-40 W0 16 50 125,000-40 W0 16 50 126 W1 177 W1 High Interest Cheque Accusst intridge UB8 15A 0800 252115 9 325 244 329 Qr470 352 4,79 Qr Julian Hodge Bank Ltd 10 Windter Place Cardif CF1 36X 1606 Facilities By St. 18 00 -1738 Humberchide Florance Group Randiertype - Landingstehr 5 Bartley Way, Rook, Springstehr 15,0000 - 17,00 5.251 7.391 Qc Leopold Joseph & Sons Limited 29 Greaken Street, Longon EC27 7EA 021 908 2323 Klehawart Besson Ltd 158 Kentin Town Rd Codon 1995 287 872 267 199 N LCA (12 500+) 15 625 4 2187 15 7491 (1986 ryal Bank of Scotland plc Pres Tyndali & Co Ltd 29-33 Princess Victoria estate Bank Flexible Solution Acc Western Trast High Interest Chaque Acc The Mosephenne, Physioph Pt.1 15E 9732 22414 15,000-4 650 488 666 Rp 15,000-214,904 1625 465 640 Qp 1,000-214,909 606 606 614 Qp 7,031 Mth **CROSSWORD**

No.8,054 Set by DANTE



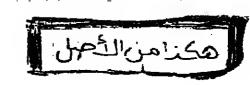
6 Put earth over the seed, say - then pray! (9)
7 Girl was poorly hrought up (5)
8 Service makes small cars go

15 A hioomer he made, being too fond of his image (9) 17 Slow worker causing delay (9) 18 Raised voice in row on river

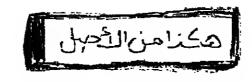
13 Bears arms when involved in trouble (9)
14 Crackpots get a hundred lines (6)
16 He cuts inside the fold (7)
19 Declared e nomber were incorrect (7)
21 Sounds coming from fold or stable (6)
(8)
20 Accomplished fellow with a certain bearing (4)
21 A large number put charge on account (7)
22 Chews a sort of out (6)
24 Vessel is said to be sailing (5)
25 Sounds coming from fold or stable (6)

Solution to Puzzle No.8,053





10AD



TUESDAY JANUARY 19 1993	WORLD STO	CK MARKETS
AUSTRIA Jacobary 10 Sch + or - FRANCE (continued) SEPREADY (OR WANKETO
Asstrian Airlines	Ahrold 91 40.50 AKZO 136.70 AMEV Dee Ress 62.30 40.50 Bek luras Dee Ress 43.30 +0.50 Bek luras Dee Ress 43.30 +0.50 Bek luras Dee Ress 43.30 +0.50 Bek luras Dee Ress 10.99 +0.80 DAF 7.05 -1.25 OSM Dor Ress 10.99 +0.80 Dor SM 76.30 -0.10 Dor SM 76.30 -0.10 Dor SM 76.30 -0.10 Dor SM 76.30 -1.25 OSM 76.3	## CANADA **TORONTO** 3 pm January 18 **Outstations in cents unless marked 5 ## Settor Abstite Pt x \$14\times district \$15\times \$15\
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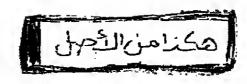
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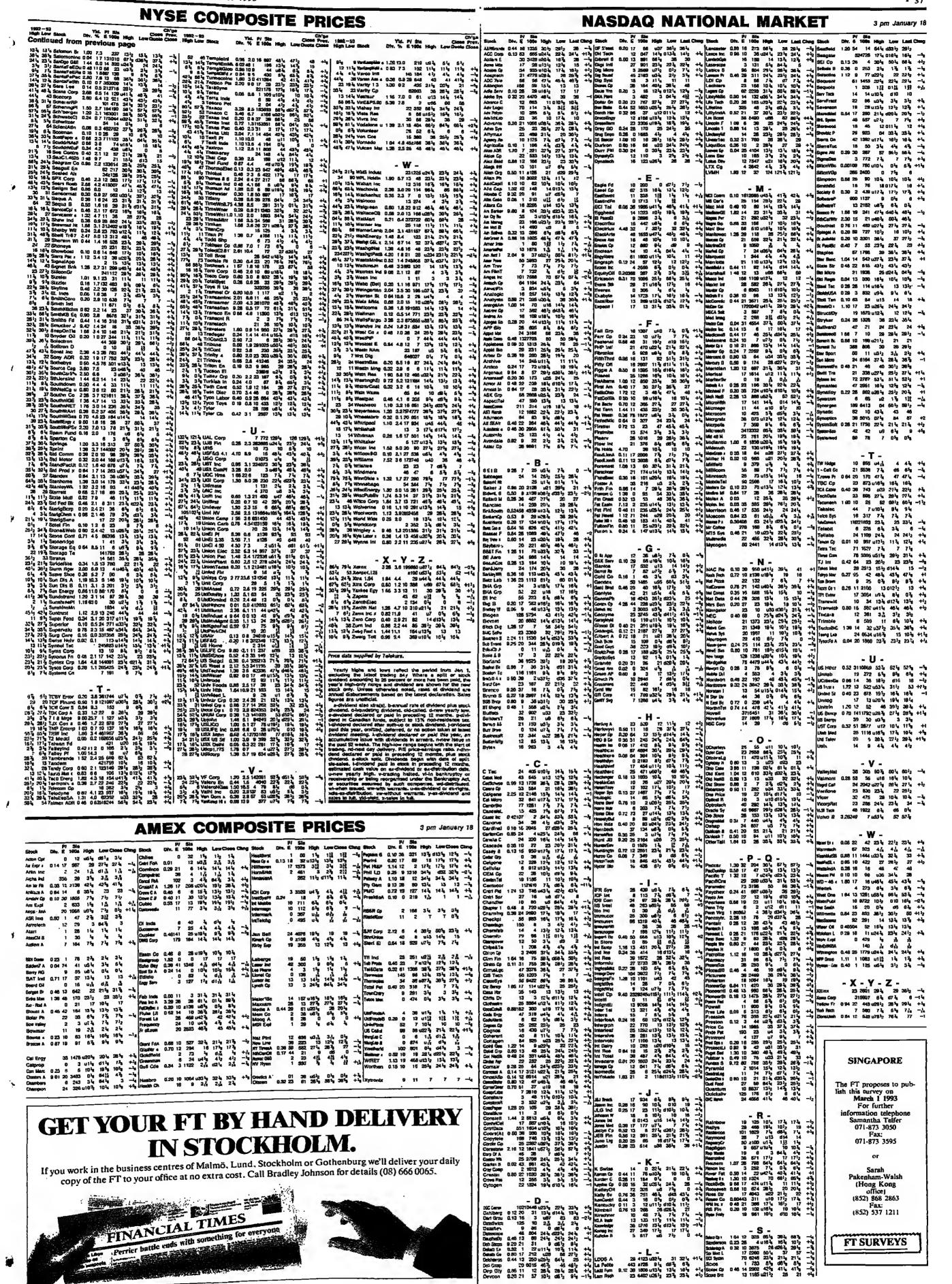
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Samsung 4HD Hi-Fi VCR:





Dow steady amid worries on Iraq raid

Wall Street

IN solte of the Gulf crisis, US share prices were mostly unchanged vesterday in trad ing that was quieter than usual because of the Martin Luther King Day boliday, writes Patrick Horverson in New York.

At 1 pm, the Dow Jonea Industrial Average was up 0.54 at 3.271.66. The more broadly based Standard & Poor'a 500 was down 0.71 at 436.44, while the Amex composite was up 0.23 at 403.88, and the Nasdaq composite 1.08 lower at 696.26. Trading volume on the NYSE

was 115m shares by 1 pm. The market opened in a cantious mood with investors and dealers unsettled by the latest attack by US and allied forces oo strategic military targets in

SAO PAULO'S Bovespa index was down 4.1 per cent in light trading in the early afternoon, qnoted 3,721 lower at 85,276 at 1400 local time, as most participants waited for fresh news. Brokers said that investors were anxious over the Brazillan senate's vote today on a long-delayed port hill, which will propose the privatisation of services and deregulation of the labour market.

Iraq. The renewal of bostilities has upset the market, which had thought that late January would be a period for concentrating on fourth quarter corporate results and a relatively smooth handover of power between the outgoing Republican and incoming Democratic administrations.

Among individual stocks, BankAmerica jumped \$1% to \$49% on reports that the West Coast banking group was close to selling as much as \$2bn in bad real estate loans and properties to Morgan Stanley Realty Fund.

The news, which was regarded as an indication that the depressed US property

around, beloed other banks with hig property exposures, including Citicorp, up \$% at \$231/2 and Chase Manbattan, \$% firmer at \$29%.

Tucson Electric Power was the day's most active stock, rising \$% to \$2% in volume of 2.6m shares as investors continued to be encouraged hy last week's completion of a restructuring plan.

Some leading technology atneks ran into profit-taking after last week's big gains. Hewlett-Packard dropped \$11/4 to \$71%, Texas Instruments fell \$% to \$54%, and Motorola gave up \$1 at \$120%.

Boeing rose \$14 to \$371/2 in volume of almost 1/2 m shares nn the news that it bad won a \$525m contract to supply 12 new 737 jets to Royal Air Maroc, a Moroccan carrier.

On the Nasdaq market, Centocor plummeted \$10% to \$6% in volume of 10m ahares on the news that clinical trials and European sales of the company's lead product, Centoxin, had been suspended after an unusually high number of patients died while taking part in research on the drug.

Canada

TORONTO slipped marginally at midday with the TSE-300 index falling 9,9 to 3,296 in light volume of 15.3m shares valued at C\$134m. Advances led declines by 217 to 203 with 255 unchanged. TransCanada, downgraded to a hold from a huy hy Nesbitt Thomson, slipped C\$1/2 to C\$16%.

SOUTH AFRICA

INDUSTRIAL shares were generally firmer in low volume and the index closed 15 higher at 4.573. The overall index rose 3 to 3,418, while golds slipped 5 to 784 on a weaker bullion price. Barlow Rand lost 25 cents to R46 after warning that first-quarter earnings might he below the

German rate cut hopes move Frankfurt, Zurich

BOURSES had another run yesterday at the frequently explored prospect of a German interest rate cut, Frankfurt rising and Zuricb subsiding in consequence, writes Our Mar-kets Staff.

FRANKFURT saw its highest close for nearly four months, the DAX index ending 28.58, or 1.85 per cent higher at 1,573.13, its best since September 21. Turnover climbed from DM5.2bn to DM6.2hn. Technical and fundamental

reasons were put forward for the rise, in addition to the initiative by traders who saw the possibility of a short term gain on the market, both oo the interest rate theme and after the improvement in sentiment delivered by Siemens's better than expected figures last

Traders said thei there was sbort-covering after Friday's stock options expirations and Allianz, frequently volatile in this connection, put on DM63 to DM2,057. Buying was also encouraged by the convincing DAX break through 1,560 and some illiquid stocks ~ notably

the construction group, Hoch-tief, up DM55 to DM978 - exaggerated the nnderlying strength of demand.

buy lists last Friday, Daimler ended DM13.50 higher at DM564.00, BMW and Volkswagen keeping it company with gains of DM10 and DM7.50, to DM499 and DM276 respectively. In chemicals. Hoechst extended its recent return to relative strength with a rise of DM8.40 to DM255.80. PARIS started the week

strongly with activity noted in the finance and construction sectors. The CAC-40 index closed 10.46 ahead at 1.837.54 in turnover of some FFr2.8bn. Among the financials, Suez gained FFr9.20 to FFr278.30. Paribas pnt on FFr4.30 to FFr394.80 and Société Générale

investors continued to look forward to lower interest rates. Building stocks were also busy on expectations that infrastructure spending would be increased this year, a view partly horne out by news that

improved FFT1 to FFr603 as

Actuaries Share Indices FT-SE January 18 Open 10.30 11.00 12.00 13.00 14.60 15.00 Close Among stocka which appeared on various brokers' Hourty change 1053.97 1092.79 1092.27 1051.23 1094.97 1096.77 1096.99 1097.15 1156.27 1163.38 1163.36 1162.80 1163.68 1166.79 1165.98 1166.50 FT-SE Eurotrack 190 FT-SE Eurotrack 200

Jan 14 Jan 13 Jan 15 106302 1089.56 FT-SE Eurotrack 100 FT-SE Eurotrack 200 1144.79 1154.08 1150.32 Base value 1000 (26/10/90) High-Yay 100 - 109725, 200 - 1167 62 Line-Yay, 100 - 1089.92 000 - 1160.92 . the government planned to set aside FFrII.5bn for motorway

which stands to benefit. advanced FFr13 to FFr589. Alcatel rose FFr6 to FFr657 on news that it bad won two contracts totalling FFr700m for telecommunications in Thailand and Pakistan

construction in 1993. Bouygues

AMSTERDAM featured Daf which fell 15 per cent on weekend reports in the local press which again highlighted the company's financial difficulties. The group's shares closed Fl 1.25 lower at Fl 7.05 but nff the day's law of F16.80. The CBS Tendency index closed 0.7 higher at 98.4, helped by a strong bond market.

1071.43 1152.84 The publishing sector built on last week's gains with Wolters Kluwer another Fl 1.40 ahead at F186.60 and Elsevier np Fl 1.00 at Fl 124.30. Among financials, ABN Amro and ING

both gained 40 cents to FI 52.70 and Fl 57.60 respectively. ZURICH succumbed to profit taking in blue chips which left the SMI index down 16.4 at 2.084.6 with almost half the decline coming in the final 15 minutes of trading.

The consolidation also reflects sbifts in investment into other European bourses. particularly Germany, following the Swiss rally which began in early December. Bank stocks slipped with SF1885 and SBC easing SF16 to SFr313. Concern that Nestle may soon announce a rights issue contributed to a SFr20

decline to SFr1,070. MILAN turned in another strong performance on the first day of the new trading account with investors encouraged by the approval for a referendum on constitutional reform and further consideration of the

new fiscal incentives for the

stock market. The Comit index rose 6.31 to 484.93 in hefty turnover which proved too much for the telematic continuous trading board, which ceased to operate an hour before the official

industrials led the advance with Fiat up by L151 to L4,390 before a further rally to L4,460 in after-hours trading.

Telecommunications were also firm with Stet adding to Friday's advance. The shares rose by L8 to L2.028, and L2,120 in after-hours trading.

BRUSSELS saw volatile trading in Arbed which rose to the day's high of BFr2.140 after

of overseas interest and the All

Ordinaries index appreciated

4.4 to 1,528.8 in turnover of

A 16 cent rise to A\$13.28 by

BHP was attributed to reassur-

ing comments from the Papua

breaching the BFr1,960 resistance level before closing up BFr135 at BFr1,995. The Bel-20

index lost 3.96 to 1,140.59 in turnover of BFr1.2bn. COPENHAGEN welcomed reports that a new government would be formed soon and the KFX index rose 3.66 or 4.8 per cent to 79.62 in turnover of

DKr359m STOCKHOLM saw strong activity in the banking sector help lift the Affarsvärlden General index by 6.8 to 933.8 in

turnover of SKr678m. Among the banks, Handels-banken's A sbares gained SKr6.50 to SKr43.50. OSLO also firmed slightly on stronger oil prices and the composite index finished 1.49 higher at 386.52 in turnover of NKr152.6m.

VIENNA improved with the ATX index closing 7.02 higher at 719.08. Leykam, the paper manufacturer, rose Sch9 to Sch231 on news late last week that it had established a joint venture in the Czech republic.
ISTANBUL declined in late

trading and the 75-market index closed 68.67 lower.at

ASIA PACIFIC

Nikkei improves in wake of government bonds rally

Tokyo

A RALLY in government bonds boosted the stock futures market, and share prices closed higher with the support of arbitrage buying, writes Emiko Terazono in

Tokyo. The Nikkei average ended 101.64 up at 16,617.24 on indexlinked buying. Purchases by public funds supported the ndex in early trading, it fell later to a day's low of 16,502.26 on selling by investment trusts, but registered a high of 16,625.26 just before the close. Volume decreased to 140m shares from Thursday's 170m.

Traders said investors remained on the sidelines after Friday's national holiday. in spite of the rise in the Nikkei, other indicators reflected underlying weakness. Declines outnumbered advances by 486 to 379, with 218 Issues

index of all first section stocks edged down 0.84 to 1,267.07. In London, the 1SE/Nikkei 50 index was off 0.11 at 1.032.05.

Reports of the US missile attack on Iraq had little impact on the Tokyo market. "Japanese shares will not be affected unless there is drastic reaction on other overseas markets,' commented an analyst at Nikko Securities.

Arhitrageurs sought shares as the futures market was huoyed hy hopes of lower interest rates. Yields on the No 145 10-year government bond fell below 4.4 per cent for the first time since April 1988, as bond market participants were encouraged by the Ministry of Finance's outright purchase of Large-capital shares were

actively traded by institutional investors, who cross-traded holdings to realise profits. Nippon Steel, the most active issue

unchanged, and the Topix of the day, firmed Y2 to Y288, while Mitsubishi Heavy gained Y1 at Y515.

Video game makers fell on concern over allegations that video games oad caused epileptic seizures among children. Sega Enterprises declined for the fourth consecutive day, ending Y80 lower at Y9,890. while Nintendo shed Y100 to Y10.400 on the Osaka stock

Electronics issues were mixed, with Sony up Y70 to Y4.130 and Matsushita Electric industrial ahead Y10 at Y1.110 on hopes regarding the expected economic recovery in the US. Toshiba slipped Y7 to Y607, weighed down by profit-taking. Sumitomo Electric Industries put on Y3 at Y808 on sbort-term buying by individuals on reports that the company's joint venture had developed a substance to reproduce

in Osaka, the OSE average

edged forward 0.52 to 18.052.28 in volume of 53m shares.

Roundup

PACIFIC RIM markets were mostly firmer yesterday. HONG KONG saw late buy-

ing of hive chips hy overseas institutions which helped to reverse an early decline. The Hang Seng index ended 10.22 higher at 5,882.02. Turnover fell to HK\$2.44bn

from Friday's HK\$3.06bn, with investors restrained hy continuing uncertainties about the Sino-British dispute over Governor Chris Patten's damocratic reform package and US president-elect Bill Clinton's China policy.

Demand from Chinese companies took Sun Hung Kai Properties 10 cents ahead to HK\$28.80 and Jardine Matheson moved 50 cents higher to AUSTRALIA saw a modicum

New Guinea government about the future of the Kutubu oil field, in which BHP has a 9.6 per cent stake.

SINGAPORE held mostly steady, but Malaysian stocka traded over the counter saw

choppy early trade after reports that Malaysia's hereditary rulers had rejected proposed amendments to take away their immunity from the law. Later it emerged that a compromise was likely to be reached. The Straits Times Industrial index gained 4.6 at 1,577 in turnover of 88.8ms

KUALA LUMPUR moved erratically before closing on a higher note which saw the composite index up hy 6.88 at

624,37. Multi-Purpose Holdings advanced 23 cents to M\$1.83 in active trading after an unconfirmed report that a Chinese city was in be allowed to hold a weekly lottery.

SEOUL ended slightly firmer as buying, centred on largecapitalisation shares, ontweighed some afternoon profittaking. The composite index moved up 1.92 to 693.23 in turn-over of Won529.61hn.

MANILA slipped in reaction to news that the government intends to break up Philippine Long Distance Telephone's monopoly. The composite index declined 5.90 to 1.305.65. PLDT's share price, which ranged from 905 to 890 pesos most of last week, fell to 870.

BOMBAY rose on sustained huying triggered hy a belief that weekend changes in Prime Minister P.V. Narasimha Rao's cabinet would spur India's economic reforms. The BSE index finished up 60.51 at 2.586.05.

Italy and Spain attract strong interest

_	% change to local currency 1				% change electing ?	% change in US \$ 1
	1 Week	4 Weeks	1 Year	Start of 1983	Start of 1993	Start of 1993
Austria	-2.58	+0.75	-20.32	-5.60	-7.40	-6.4
8elgium	-0.43	+ 1.96	-3.69	+ 1.17	-0.94	+0.1
Denmark	-2.67	-1.84	-28.91	+ 0.64	-0.74	+0.3
Finland	-1.50	+7.08	+ 2.82	+7.50	+3.32	+4.4
France	-0.93	+3.98	-1.98	-0.70	-1.73	-0.7
Germeny	+0.86	+3.56	-9.86	+ 0.21	-1.61	-0.7
Ireland	-3.09	+293	-13.81	+ 3.53	+2.10	+3.1
Italy	+6.51	+ 16.29	-6.73	+6.22	+6.07	-7.1
Netherlands	-0.22	+1.82	+ 1.08	+0.86	-1.13	-0.0
Norway	-1.34	+1.71	-15.38	+3.45	+2.81	+3.9
Spain	+4.66	+6.41	-10.01	+7.53	+5.26	+ \$.3
Sweden	-2.61	+ 1.77	+10.83	+ 0.07	-3.69	-2.6
Switzerland	+ 1.47	+ 3.37	+15.04	+ 0.79	-2.40	-1.3
UK	-1.28	-0.36	+10.21	-2.33	-2.33	-1.3
EUROPE	-0.16	+ 2.24	+1.82	-0.24	-1.44	-0.4
Australie	+ 1.00	+ 0.10	-11.39	-2.07	-5.02	-4.0
Hong Kong	+ 5.55	+12.11	+ 29.73	+6.04	+ 4.97	+6.00
Japan	-1.64	-5.85	-20.77	-3.11	-5.09	-4.0
Malaysia	-1.23	-2.83	+ 13.64	-2.67	-3.03	-2.0
New Zealand	-0.99	+ 0.35	-6.27	-3.16	-4.21	-3.2
Singapore	-1.22	+ 2.26	-4.06	-0.33	-2.41	-1.30
Canade	+0.15	-1.16	-10.94	-1.39	-3.22	-2.2
USA	+ 1.88	-0.77	+ 4.09	+ 0.33	-0.72	+0.33
Mexico	-3.63	+2.11	+ 11.55	-0.17	-0.67	+0.10
South Africa	+ 0.86	+6.19	-11.84	+ 4.86	+ 4.50	+ 5.60
WORLD INDEX	+0.41	-1.11	-4.27	-0.66	-2.00	-0.9

116.37 95.72
127.09 104.55
129.24 106.80
109.59 90.14
180.91 148.82
70.43 57.94
141.82 116.48
100.04 82.30
227.75 187.34
135.55 111.67
56.99 46.88
87.63 80.31
248.27 204.21
1599.73 1315.92
146.59 120.59
40.23 33.09
138.84 114.05
203.90 187.85
120.20 98.88
156.13 128.44
108.00 88.85
164.84 135.58
173.15 142.43
131.27 107.98

131.27 142.29 102.81 114.22 169.21 111.12 151.47 115.41 181.03 133.95 154.36

The World Index (2209)... 138.25 +0.1 133.97 110.20 117.56 126.58

107.98 117.05 84,41 93.94 139.21 81,43 124.61 94.94 107.79 110.18 126.99

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186.70 72.85 146.15 103.24 235.04 140.06 58.81 100.75 256.21 1650.88 151.25 41.51 143.06 210.42 156.40 124.04 161.13 111.48 170.51

France (99 Hong Kong (55) Ireland (16)......

New Zealend (13)... Norway (22)..... Singapore (38).... South Africa (60)...

Europe (781)..... Nordic (114)..... Pacific Basin (715). Euro – Pacific (1496 North America (635

102.11 1113.41 96.18 158.75 81.80 124.26 87.78 199.86 119.12 50.01 85.68 217.64 1403.74 126.63 35.30 121.88 178.91 132.98 105.47 137.01 144.84

115.16 124.86 90.04 100.22 146.50 97.53 132.92 101.27 114.99 117.55 135.47

118.49 110.82 110.52 104.99 159.85 82.14 126.85 87.78 233.50 122.04 65.95 80.31 255.81 133.76 160.77 164.94 109.82 173.47 103.46 164.84 178.88

124.55 140.29 86.12 101.42 173.69 102.44 148.73 103.56 122.85 126.22 153.65

By John Pitt

easures to boost popnlar share ownership in Italy and renewed foreign investment interest in Spain saw these rest of Europe last week.

But weakness in Denmark upset by the resignation of Prime Minister Poul Schlüter over the 'Tamilgate' affair, and Ireland, still fighting pressura to devalue the punt, helped to take the European mponent of the FT-A World Indices into negative territory. Spain has enjoyed a traditionally good start to the year, with bopes of an easing in interest rates throughout the Continent helping to improve

Mr Victor Galliano, Spanish analyst at Baring Securities, comments that many investors are beginning to look to invest ontside the hard currency markets and see Spain as a good opportunity.

Inflation data which came in slightly under expectations year-on-year also gave a boost

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sacha & Co. and NatWest Securities Limited

in conjunction with the institute of Actuaries and the Faculty of Actuaries

4.10 2.20 5.47 3.15 1.71 3.56 2.59 3.435 3.15 1.260 1.90 5.20 5.54 2.07 4.49 2.67

+0.7 +0.4 +0.0 +0.3 +0.3 +1.0 +0.3 +0.3 +0.8 +0.4

3.78 2.16 1.40 2.52 2.88 3.29 3.64 2.53 2.47 2.68 3.21

116.04 113.83 132.37 127.65 135.28 130.45 113.31 109.26 188.41 161.88 70.43 87.81 145.31 140.12 102.90 99.23 238.11 227.88 140.07 135.07 57.12 55.08 101.07 97.12 55.37 246.25 1652.28 1593.25 41.19 39.72 143.60 136.47 143.60 136.47 143.60 201.95 157.95 152.31 120.61 156.03 112.58 108.56 170.59 164.50 170.59 164.50

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114.04 123.61 89.35 99.33 146.68 96.34 130.87 100.40 118.76 118.32 133.91

to the market, and Mr Galliano believes that the general index could reach a short term high of 250.

The Italian market began to improve early in the week, ahead of Friday's decision by the government to allow invesnewly quoted companies and the opportunity to swap holdings in government bonds for privatised shares.

Elsewhere, Hong Kong had a good week with a 5.5 per cent gain. Mr David Bates, of Asia Equity in London, ascribes this to suggestions that secret negotiations are being held betweeo Chinese and UK officials to resolve the conflict over plans for political reforms in the colony. Reports that Governor Chris Patten has softened some of these proposals has also helped sentiment, be says.

Among the Latin American markets, Mexico weakened 3.6 per cent in local currency terms, partly in reaction to Wednesday's allied air attack on Iraq which caused slight falls among many of the world's markets.

99.3 117.16
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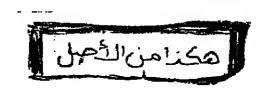
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FINANCIAL TIMES SURVEY

THE EUROPEAN SINGLE MARKET

SECTION III

Tuesday January 19 1993

HE European Community's single market, born at the start of this year, is an old idea, superimposed upon a continent joited into several new directions at once.

Allowing goods, people, services and

Allowing goods, people, services and capital to flow around an area accounting for about one quarter of world economic output marks a giant step forward for the EC. Breaking down Europe's barriers fulfils the concept set out in the 1957 Treaty of Rome of forming a genuine common

market.
The single market programme is enshrined in the Single European Act, which came into effect in 1987. Launching measures with the effect of increasing competition and building a more homogeneous EC business environment has already produced some harsh effects not least in contributing to plant closures and layoffs as companies try to concentrate their EC operations in the most efficient or low-cost centres.

The programme as a whole, however, is a recipe for growth. European industry as a whole faces a grave problem of deteriorating international competitiveness - particularly in comparison with the newly industrialising countries of the Pacific rim, which have been making large inroads into EC markets.

As part of a strategy of overcoming this

drawback, European governments and leg-islators have accomplished a victory of Community-mindedness over national interests — and have put into place a powerful springboard to help cope the EC with the economic challenges of the 1990s. Some important areas are still to ba

dealt with, for instance in energy, telecommunications and transport. An imperfect solution has been found over the vexed question of creating a unified system for collecting value added tax across the conti-

Additionally, partly because of controversy over immigration pressures ~ touched off by the conflict in former Yugoslavia, as well as upheaval elsewhere in the world - some controls remain in force on people crossing EC borders, particularly at airports. None the less, roughly 95 per cent of the liberalisation measures outlined in 1985 have been established as EC legislation, extending to the main fields of industry, public procurement and financial services.

The Community seems unlikely to embark upon a new phase of large-scale legislation to clear up exemptions. But it has set itself a goal during the next few years not only of completing the single market agenda, but also of making it

The EC now has a market-place. There is a long way to go, however, before we have a single Europe. The ructions during 1992 over the Maastricht treaty underlined that consensus is far from complete on future political and economic integration. The road to economic and monetary union (Emu) - which many top European politicians, though not quite so many leading businessmen - have always regarded as essential for bringing the single market to maturity - is now strewn with more obstacles than seemed apparent a year

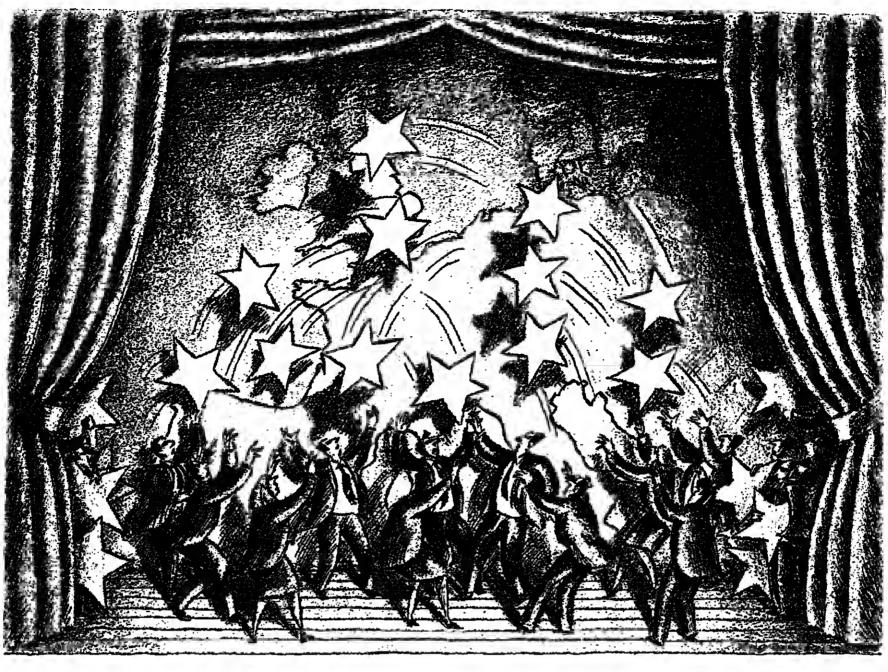
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ago.

After the autumn exchange rate turbuleoce, a large question mark also hangs over the future of the European monetary

Yet, the single market process of harmonising regulations and laws on prod-ucts, trade, traffic and people has placed



A leap across fallen barriers

The single market is not a panacea for the problems of Europe. But with the right policies, hope will be restored in the east and in the west. **David Marsh** reports

the EC firmly on the road to supranationnor Maastricht sets down a blueprint for a federal European state. But member countries now recognise that a formal renunciation of sovereignty in important areas once held to be the prerogative of nationstates, and a pooling of resources and powers, can maximise benefits for all.

The single market's period of gestatioo has coincided, in the east of the continent, with the death of communism. But capitalism's triumph is by no means unmitigated. After the excitement and euphoria generated by the breakdown of the east-west

alism. Neither the Single European Act Europe is weathering a phase of dourness between politicians and voters over the speed and direction of European develop-downturn for 10 years in western Europe,

> The swing to fringe extremist parties in many countries during the past 12 months is a symptom of some deeper pressures among others, mounting unemployment, now standing at around 16m throughout

Europe's task for 1993 is thus to show it can successfully manage a highly difficult

divide and the ending of the cold war, Europe is weathering a phase of dourness diate challenges. First, businesses and with Austria, Finland and Sweden, reversand doubt. Last year's controversies over individuals have to show they can maxim-Maastricht exposed a disquieting gap ise the chances offered by the single mar-

> Placing the rules of the single market on to the statute book was difficult, but making them work will be more onerous still. The EC will also have to ensure fair and

> equitable enforcement. Second, the EC has to progress towards the goal of a wider Europe. The Community's decision at the Edinburgh summit to

ing the previous agreement to wait for ratification of Maastricht in all 12 states, is an encouraging sign that the momentum of enlargement can be maintained. The rejection last month by Switz

the EC's second most important trading partner, after the US - of the plan for a free trade area between the EC and the European Free Trade Association (Efta) was a blow, but not a disaster.

The EC's single market encompasses 344m people. The European Economic Area, which will now come into effect in

the second half of the year, about six months later than planned, will unite a population of 370m people, including all the other six Efta states apart from Swit-zerland. The three Efta states starting accession nagotiations this month may join hy 1995.
The third challenge concerns the east of

the continent. Even on the most optimistic assumptions, the former communist countries of eastern and central Europe will have to wait beyond the year 2000 until they can join tha EC.

In partnership with the new administra-tion in Washington, the EC will have to redouble efforts to prevent chaos across the former communist bloc from sparking off more generalised disruption in Europe. In 1992, the EC's inability to stop, or even significantly influence, the war in former-Yugoslavia painfully illustrated the limits of the EC's fledgling foreign policy. In 1993, the difficulties caused by economic dislocation and political fragmentation in the east could become still worse if the European economy slides into full-scale

The economic clouds over the continent are all the more disquieting because, in theory at least, the approach of the single market should have blown them away. When EC governments negotiated the concept in 1985, the single market programme was viewed as a sizeable boost to trade

n optimistic report published in 1988 under the aegis of Mr Paolo 1988 under the ages of the Cecchini, a senior Commission official, forecast that the single market would increase EC gross national product by 4.5 per cent over the medium term. It would also, according to the report's conclusions, dampen inflation, improve countries' hudget positions, lower external deficits and create 1.8m new jobs over the longer term.

Anticipation of the single market undoubtedly speeded up trade and investment during the second half of the 1980s. illustrated particularly by a spate of crossborder acquisitions and mergers. Crowth was also accelerated by the boom in Germany in 1989-91 caused first by the col-lapse of the Berlin Wall and theo by reunification.

EC experts now reckon that 30 per cent of the forecast effect of the single market programme may already have worked its way through to the European economy. The fillip to western growth at the end of the 1980s explains why many of the contro-versial proposals of the Single European Act - in contrast to those in the Maastricht treaty - did not attract undue opposition in parliaments and public opinion.

The economic expansion in the late 1980s also helps explain why the EC, shrugging off a decade of drift after the first oil crisis io 1973, suddenly became a burning source of hope and prosperity for the eastern half of the continent. Now, however, high German interest rates and the post-unification difficulties faced by the German economy have thrown a pail

over the landscape.

With the dissipation of the positive economic effects of the late 1980s, the EC - and those outside who see it as a beacon of light in a dark world - bave had to scale down their expectations for the 1990s.

The single market is not a panacea for Europe's problems. Yet, if governments adopt the right policies to end the recession, it provides the best route towards stability and prosperity later in the 1990s - for both halves of the continent.

David Marsh tries to dispel some of the more alarming anxieties about life in the new Europe

Fishermen need not wear hairnets

ASSERTION: A Commission directive will oblige fishermen to wear hairnets oboard their

FACT: Untrue, A Council directive, which took effect on January 1 1993, aims at ensuring strict hygiene conditions in fisb-processing plants. Dock-side staff who cut fish will have to wear suitable head cover to avoid contaminating fish. This does not mean hairnets. It does not apply to fishermen on boats, with the exception of workers on fac-

ASSERTION: Firemen will have to adopt new uniforms to conform with EC safety rules. FACT: From January 1 1993,

personal protective equipment" must satisfy common safety requirements under a December 1989 Council directive. This includes firemen's uniforms and hats. All products marketed after 1993 will have to include an EC conformity mark.
. ASSERTION: EC regulations

require Christmas trees to be symmetrical in shape, with regularly spaced needles.

FACT: Untrue. No EC regulations on standardised Christmas trees. The Christmas Tree Growing Association of western Europe has, however, drawn up European specifica-tions to try to aid marketing. ASSERTION: EC regulations forbid the marketing of a

favourite Danish apple FACT: For the purpose of freedom of movement and consumer protection, EC apples are classified into two catego-

ries - "small", with a minimum diameter of 55mm, and "large" with a diameter exceeding 65mm. In July 1989 the Danish fruit growers' associa-tion classified the Ingrid Marie as "large". However, since half the harvest did not reach the required size, the apples could not be marketed normally, and had to be sold to the processing industry. There are two solutions: to introduce a new "medinm-sized" category which could increase administration costs - or to reclassify the Ingrid Marie as "small". ASSERTION: Commission wants to outlaw the dye which gives smoked haddock its distinctive golden

Ingrid Marie.

FACT: Untrue. More than 30 colours are provided for in the Commission's proposals for a Council directive for colours used for foodstuffs - including those used for haddock. ASSERTION: The European

when snow is not deep enough FACT: The parliament adopted in June 1991 a resolution to preserve the ecological balance in Alpine areas, proposing restrictions on ski runs where snow is less than 20 cm deep. The Council has not followed up these

ASSERTION: Britain's Esser

coast will face an invasion of cockle fishing boats this year. FACT: On January 1. existing UK public health requirements on molluscs were replaced by new EC requirements. (Directive 91/493/ EEC. L 288). This means that cockles from certain parts of the Thames estuary will no longer have to be processed in a particular plant in Leigh-on-Sea. But foreign fishing boats which want to catch UK cockles are still subject to Sea Fisherles Committees byelaws. ASSERTION: An EC food

hygiene directioe will force street vendors and cafes to close. FACT: A ganeral food hygiene diractive is under discussion in the Community.



The proposal is broadly similar to provisions already in UK law. Detailed guidance will be ASSERTION: Charity shops ore bonned from selling second-hand toys as o result of left to voluntary codes of EC toy safety directive. FACT: According industry practice, to he drawn np in consultation with producers, retailers and According Directive 88/378/EEC on tha Safety of Toys, in force since January 1 1990, all toys placed on the Community market for the first time must bear the CE safety mark. This applies to new toys sold in charity shops

- but not to second-hand toys. ASSERTION: Under new EC legislation, there will be n reversal of "burden of proof", meaning that lifeboat teams and mountain accident services could be sued for negligence by people they try to rescue. FACT: A proposed directive on liability of suppliers of

services intends to make a responsible for proving that everything possible is done to assure safety of the consumer. This covers sea and mountain rescue services. But proposals make specific reference to the notion of "legitlmate expectation". So the person rescued cannot in practice hold rescua services responsible for injuries sustained.

ASSERTION: An EC direction on health rules unfairly discriminates agoinst French soft cheeses.

FACT: The Council adopted in June 1992 a directiva on

marketing of raw milk, heat-treated milk and milk-based products. It will come into effect on January 1 1994. As far as soft cheeses are concerned, it will ensure that milk used comes from animals and stocks which satisfy health and hygieoe requirements. Cheeses produced should comply with specified microbiological criteria (checks for listeria, salmooella, escherichia coli etc.) Products

withdrawn. ASSERTION: The Royal Novy will have to end its tradition of stirring Christmas pudding mixtures with wooden oars, on account of a new EC hygiene regulation. FACT: Untrue.

failing to conform may be

fremework directive on materials in contact with foodstuffs (89/109/CEE - L40) merely states that such materials should not "transfer their constituents to foodstuffs in quantities which could endanger human health or hring about an unacceptable change in the composition of the foodstuffs".

ASSERTION: EC regulations are forcing butchers' shops to

FACT: Untrue. New rules on handling of fresh meat apply only to slaughterbouses, processing plants, storage facilities and warehouses, not to retail premises.

ASSERTION: A droft

directive states that Euro-furniture shall not be made of European oak because it is too knotty. German and Itolian oarieties will be favoured because they have fewer knots.

FACT: There is no such draft directive. Two long-standing pieces of legislation on marketing of certain seeds, such as oak, set up quality conditions. The UK has complained in the past that oot many seeds from British oaks are recognised as eligible for planting in other EC countries.

ASSERTION: Youngsters will have to give up newspaper delivery rounds if the EC directive on protection of young people of work is adopted.

FACT: Untrue. Young people in full time education are restricted to 15 hours a week and three hours a day for light jobs, bot will still be able to do paper rounds. Work must take place outside official school hours. Must generally be hetween 8 am and 8 pm although exceptions are

ON OTHER PAGES

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Cartoons: Roger Beale Enforcing the new legislation will provide the real test, writes Lionel Barber

Now comes the hard part



■ Interview: Lord Cockfield, market mastermind

AFTER pushing dozens of new laws through their national parliaments, EC member states must now live up to their promises and make the European single market work.

One word is likely to dominate debate on the single mar-ket in 1993: enforcement. Striking the correct halance between the supervisory role of member states and the Euro-pean Commission will not be easy; but it is vital if cross-border disputes about implementa-tion are to be avoided and confidence in the single market is to he retained.

The task is daunting. Rhetoric in Brussels about the irre versible common destiny of EC member states often minimises the deep-rooted diversity. Just as there is an ohvious "top tier" of strong economies in northern Europe built around Germany, so too there will be a "lower tier" of countries lagging on enforcement standards - particularly in the sensitive area of public procurement where the temptation to protect national companies will be formidable.

The signs already point in this direction. Although 95 per cent of the single market programme set out in the original white paper were complete hy the end of 1992, less than half of it was expected to be transposed into national law of all 12 member states, according to a report hy the committee on economic, monetary and industrial affairs of the European Parliament.

Denmark, often accused of being the Community troublemaker after its rejection of the Maastricht treaty, has the best track-record on transposition. Moreover, there are important gaps in implementation in areas such as dual-use technology which can have military

application, explosives, works of art and meat goods. Nor are companies likely to be ready to adjust to the new rules covering VAT collection.

Mr Ben Patterson, the Con-

servative MEP who authored the above report, is flush with examples of foot-dragging in common professional standards: Greek engineers trained in Germany whose qualifications are not recognised back home; British airline pilots who, having worked for a pri-vate German airline, cannot get permanent jobs; and a failure to reach agreement on gen-eral recognition of higher edu-

cation diplomas. The most serious work to date on enforcement is the report drawn up hy Mr Peter Sutherland, the former EC Commissioner responsible for competition policy, who chaired a high-level group on implementation last year.

The 60 page study makes numerous practical sugges tions aimed at making the single market fairer, more consumer friendly, more open and more efficient in terms of streamlining Its laws. Among its chief recommendations are:

• A "deeper partnership" hetween the European Commission and memher states aimed at exchanging informa-tion, mainly through officials working on an informal basis;

Provision by states and
Brussels of informal advice on redress for hreaches of EC law to those requesting it. Plus an omhudsman at EC level or in each member state;

 Systematic consolidation of EC law and creation of a legislative co-ordination unit inside the Commission to prevent

overlap;
• A better understanding and use of EC law, including possihle compulsory courses for

puter link between Schengen

immigration authorities -

have been put in place. Neither

has yet happened.

Practical difficulties. Air-

ports - most notably the busy Schiphol hub in Amsterdam -

have won a deferral of the

deadline for lifting controls, on the grounds that they cannot

physically change their infra-structure before December this

year to separate EC and

The result is that even the

most enthusiastic countries are

unlikely to lift their internal

border controls on penple hefore the middle of this year.

Travellers in continental

Europe will probably notice lit-

tle change - cars will still be able to sweep through most

internal horders without

checks; airports will still check

passports, although controls

may get lighter as terminal

infrastructure is adapted to

cope with the new regime. Britain, on the other hand, is

planning to retain its controls

at airports and sea borders

non-EC arrivals.

tions campaign to make sure BC citizens are aware of their

legal rights.
The Sutherland report was influenced heavily hy the debate within the Community on "subsidiarity" - devolving on "subsidiarity" – devolving decision making to the lowest appropriate level – which erupted in the wake of the Danes' rejection of the Maas

tricht treaty. Some critics have wondered whether Mr Sutherland pulled some of his enforcement punches. His panel's rejection at this stage, of a central clear-ing house to collect data on infringement of the single market, for example, may reflect fears of a new Brussels hureau cracy policing cross-horder trade; hut it raises the threat of unsatisfactory trade-offs between countries. Those who have stronger standards of implementation will lose out,"

says one EC official. The UK, the driving force behind subsidiarity, is anxious that the Commission does not turn into a shrinking violet. This is not so much a political volte face; more a hard-headed calculation that if cross-border disputes flare up, the Commission is well placed to act as arbiter rather than hurdening the European Court

with dozens of legal cases.

Thus, a recent UK draft proposes permanent Commission Inspectorates to monitor selectively member states' performance, and a Commission review which "where necessary" may go to the relevant Council of Ministers. "The logic of the internal market demands satisfactory arrangements for its joint management by the Commission and the national administrations." says the

As the Commission's response to both the Sutherland and the UK report made clear, much will depend strengthening the

Much will depend on strengthening the co-operation between Brussels and member states

machinery for co-operation between Brussels and member states. Proposals include a new training policy for officials in enforcement, new computer networks to speed up the flow of data on the operation of the internal market, and more efficient management of the customs union.

These are the challenges facing those struggling to keep the playing field level in the single market but it is clear that plenty of voices will be calling for the outstanding gaps to be filled.

Mr Patterson is convinced that there are sufficient uncovered areas to warrant production of a new Commission white paper.

"In addition, there will be a need to deal with the new barriers to free movement which changing technology and the ingenuity of protectionist forces will create.

Goods will move more freely than people, writes Andrew Hill

It really worked

LORD COCKFIELD, the crusty British peer who was European commissioner for the internal market from 1984 to 1988, is in the satisfying posttion of seeing a vision turned into reality.

"The single market is almost exactly as envisaged," he says, "except for minor flaws, such as the remaining frontier controls over people, and the fact that the financial sector reforms are not as liheral as 1 would have liked."

Lord Cockfield's stint in Brussels coincided with a number of milestones in the single market process. His higgest achievement was the 1985 Enropean Commission White Paper and its nearly 300 legislative proposals setting out the framework for the market.

His great strength, according to observers at the time, was writing the paper in a way which gave national politiclans a clear and logical blueprint for hullding the market. His experience as a commissioner of Inland Revenue in Britain gave him the ability to find ways through thorny and highly technical tax issues regulring unanimons agreement hy all 12 member states.

As a salesman for the programme, however, Lord Cock-tield was less adept. He rarely ventured forth to national capitals to lobby ministers, preferring Instead to stay in Brussels and to make his points at

He did, however, ask Mr Paolo Cecchini, a senior Commission official, to oversee the compilation of what became the landmark report on the proposed market. It stands as one of the largest pieces of market research ever conducted. Especially in view of its rosy economic forecasts and commercial scenarlos, many economists came to view lt mainly as a propaganda exercise to sell the White Paper proposals. But the report, published in 1988, set off a flurry of corporate strate-

gic reviews. The economic buoyancy of 1986-90 - when EC economies registered average annual growth rates of 3.2 per cent made it easier for politicians to accept those parts of the programme curhing national monopolies or initiating painful industrial restructuring. 'An economic downturn three



Lord Cockfield: 'The single market is elmost exactly as envisaged

or four years ago and It could have been another story," he

A former trade secretary in Mrs Thatcher's government in the early 1980s, Lord Cockfield shied away from harmonisa-tion of standards as the main way of overcoming national regulatory differences in European Industries, favouring

ROBERT CORZINE meets Lord Cockfield, architect of the EC single market

instead mutual recognition and market-oriented solutions. His belief in the power of market forces is undiminished as is his conviction that the imperfections in today's market will soon disappear. "Once we get rid of frontier controls and major nationalistic impulses, such as public procurement, then the forces of trade and the market will wash away the remaining barriers." he says. However, he does not make light of the challenges in making the market work. "The single market is in the bag. But we may have tn deal with new barriers."

Lord Cockfield is a harsh critic of British government policy towards the European Community in general, and the single market in particular. He takes issue with politicians who promote the single market as an alternative to the far wider concept of European economic and political union.

"The UK government had lit-tle real understanding of what the single market meant." he says. "The original concept was that the single market which we would haild economic unity...the market is not the end of the road, hnt a road that leads somewhere, to economic union. It's just a pity that the economic agenda was not completed before work

began on political union." He says that the objective of a single European currency was enshrined for the first time in the Single European Act. He regrets the emotions snrrounding the currency issue - one of the most controversial points in the debate over the Maastricht treaty. "The single market is an enormons henefit and the single currency would have produced a large add-on benefit." In view of the difficulties of keeping to the Maastricht monetary nnion timetable, he believes there is a good chance that Europe's single currency will turn ont to be not the Ecu,

hat the D-Mark.

19,12,1990

24.7.1991

Hang on to your passports

DON'T throw away your passport. For the EC traveller. the barrier free European market has not quite arrived. The lifting of frontier controis on goods and people was perhaps the most symbolic

goal of the single market pro-However, for six months or more it has been obvious that at least one, possibly three, and perhaps all 12 member states will not achieve the second of those objectives before

the end of 1993. Memher states appear to have met the deadline for lifting frontier controls on goods. For all its alleged faults, the new "transitional" regime for VAT and excise dnty has done away with the need for basic administrative border controls on all products. Some 60m tax forms, and the people who used to fill them in, have gone

On the other hand, there are lingering doubts about how a new frontier-free regime will affect certain products, in the case of bananas, for example, memher states have just agreed a new quota regime, but it is unlikely to come into force for at least six months. There is as yet no definitive system for monitoring the cross-border movement of works of art or of "dual-use" goods, which have both military and civilian applications. The most likely solntion is a formal or informal cellule de crise" to deal with any problems which might occur between January 1 and

Officials agree it is little more than a sticking plaster solution, hat it has allowed frontier controls on goods to be lifted before the January 1 deadline. If member states keep their nerve - and do not allow the inevitable media scares about loopholes and errors to shake them into a hasty reimposition of controls then free movement of goods seems more or less

the implementation of a new

The abolition of passport controls presents quite different problems, which are unlikely to he resolved before the end of this year, if at all Nine months ago, the Community seemed to divide into three main camps on the question of passport checks. Britain has always been the



member state most vehemently opposed to the lifting of border controls on people and its government's argument is rela-

The 1986 Single European Act, it says, does not oblige the UK to lift its controls on non-EC citizens. Consequently, Britain must maintain at least a minimal check to ensure that unwanted non-EC travellers do not slip through the EC pass port lane at ports and airports. In the second camp are Denmark and Ireland. Denmark wants to maintain border controls, but has indicated in the past it might be prepared to lift them if sufficient safeguards are put in place. Ireland claims to be committed to the lifting of controls. But because of its geographical proximity to Britain, and the fact that most of its travellers pass through the UK under an existing free travel agreement, it would find it difficult to loosen its controls without et least consulting the

Finally, the European Commission and the remaining nine EC countries, which are members of the Schengen freetravel agreement dispute the British interpretation of the Single European Act and are committed to the lifting of border controls on people. Until recently, it looked as though the dispute between the Commission and the British government might end in the European Court. An individual court case - perhaps brought hy a federalist MEP or ordinary free-travel zealot - is still not out of the question.

diate threat of Commission court action • Euro-politics. Since the Danish and French referendums on the Maastricht treaty, Brussels has been increasingly reluctant to challenge member states on strongly held points of principle. Mr Kenneth Clarke, British home secretary. warned fellow EC interior ministers in June that pressurising Britain on passport controls could swing the UK parliament against the Maastricht treaty

- It was a potent argument, according to observers. • The refugee problem. increasing immigration pressures and racial tension, particularly in Germany, have made the Schengen nine think twice about lifting their internal border controls as quickly as they had intanded. The Schengen accord does commit them to sholish internal checks, but only when external frontiers have been sufficiently

strengthened, and ancillary

unaltered until Schengen decides to aholish its internal When that happens, UK sea-ports will probably implement a version of the so-called "Bangemann wave" – named but in the past six to nine after the current internal marmonths, a number of new eleket commissioner - requiring EC travellers to show the cover ments have reduced the immeof their passport to officials.

> Schengen's disarray on border controls let Britain off the hook as far as the January 1 deadline was concerned, hut it seems unlikely that an eventual "two-speed" solution to the question of passport checks will be acceptable to all continental European countries. According to Schengen, the Bangemann wave is too strict as a control on internal borders and too lax as a control on external frontiers.

If Britain - or, indeed, Iraland and Denmark decides to apply only minimal checks to traveliers arriving from outside the Community then Schengen members may have to start examining the passports of passengers on flights and ferrlea from non-Schengen EC partners.

That would be a strange and unhappy and to a project that was supposed to be built on mutual trust and partnership.

The converse argument is that some forces - such as organised crime - may be so adept at freedom of movement of goods and capital that calls for reimposing some controls may prove irresistible. But for the moment the forces of integration are firmly in the saddle as the race to take advantage of the single market enters the home stretch.

together industrial, social and

THE internal market was not the only innovation ushered in with the new year. On January 6, European business came under the watchful eye of the European Community's first socialist competition commissioner, Mr Karel Van Miert, a pragmatic Belgian responsible for transport and, latterly, environment in the 1989-92 Mr Van Miert has a hard act

to foliow. Sir Leon Brittan, now responsible for EC trade policy, was a committed liberal in the competition field. But the Instinctive reaction of some of his supporters - that Mr Van Miert is bound to be "soft" on competition - is not necessarily borne out by the

For example, during the past four years, the Belgian commissioner has pushed through a complex and far-reaching air liheralisation package, which lifted government curbs on air fares from January 1. By mid-1997, this same deal will allow any EC airline to fly any route, including domestic aervices, anywhere in the Community. Given the strong vested interests ranged against Mr Van Miert, this wes no mean

Nonetheless Mr Van Miert takes over the role of competition commissioner at a difficult time. Pressure to reverse, or at

tionist-minded governments to try out protectionist solutions.

decisions than his predece

So what is in the panoply of anti-trust weapons which Mr Van Miert has inherited from his predecessors, and how will he use them?

least freeze, EC competition policy is growing. This is partly a result of the single market itself, which has opened previously protected EC industries to new competition from other EC countries and from outside the Community. It is also a symptom of the general recession which bas tempted more interven-

In his earliest statements after announcement of his new job, Mr Van Miart restricted his statements on EC competition policy to saying that there would be changes. He is likely, for example, to look more carefully at the social and indus-trial impact of competition sors. Purists fear this will water dnwn policy, hut Sir Leon believes the precedants astablished under his regime and that of the previous commissioner. Mr Petar Sntherland, will last.

• The EC merger regulation. Probably the most far-reaching of the innovations to emerge during the Sutherland-Brittan period, the regulation allows the Commission to look into large-scale cross-border merg-

RECENT LANDMARK EUROPEAN COMMUNITY COMPETITION RULINGS

19.3,1991 European Court upholds Commission's right to use Article 90 of Treaty of Rome to liberalise the

Telra Pak fined Ecu75m for alleged abuse of its ninant position in the markel lor cartons and 2.10.1991 Commission vetoes Aérospatiale end Alenia's

ettempt to take over de Havilland, Canadian

ICI and Solvay fined Ecu47m for alleged sode ash

Nestle bid for Perrier cleared on condition that brands are given up to e "third lorce" on the French mineral water markel Decisions still subject to appeal ruling in the European Court of Justice

SIGNIFICANCE At the time, the largest ever fine imposed by the

Confirmed Brussels' ability to challenge national monopolies without eeeking prior approvel of EC Currently the largest line ever levied by the

The first end only case yet blocked under the September 1990 EC merger regulation

Established for the lirst time that the EC merger tesk force will take into account the impact of duopolies and oligopolies on the market

Andrew Hill on the role of the new competition commissioner

A socialist's dilemma

ers within set deadlines, and outlaw or amend deals. In fact, only one deal has been blocked outright since the regulation came into force 2½ years ago

- the Franco-Italian bid for de Havilland, the Canadian aircraft manufacturer, which, as transport commissioner, Mr Van Miert supported.

As competition supremo, Mr

Van Miert will have to decide whether the threshold for examining deals under the regulation should be lowered, as favoured by Sir Leon and by the Commission's own merger task force. He will also grapple with the controversial question of bow to define the market for each merger, and whether to allow European champions to

develop in line with the growth of the single market. • Articles 85 and 86 of the original EC treaty, which are aimed at preventing cartels, price-fixing end ehuse of a company's dominant position. in the last months of his tenure. Sir Leon pledged to introduce new internally-hinding deadlines for such cases, which

to complete. If Mr Van Miert backs the Brittan reforms, he will have to try to persuade reluctant competition officials that such deadlines are feasible and necessary and ensure they are implemented. At the same time, he inherits a commitment to devolve responsibility for smaller anti-trust cases to

national authorities - hut without allowing overall competition policy to be distorted. Article 90 of the EC treaty, which gives the Commission the right to issue directives hreaking open public monopolies without first having to gain member state approval. That right was affirmed hy the European Court in 1991, but since then even Sir Leon has fought shy of using it, although he has threatened it many times against energy, postal and telecommunications monopolies. This would be one way of opening up some of the most difficult outstanding areas of the single market. But it would also be e last resort option. If Mr Van Miert chose to use lt, he could alienate those member states - notably France - which were happlest with his appointment.

State subsidies. This is

probably the area in which Mr Van Miert will face the strongest challenges to his authority, as member states seek to ease their favourite industries into the single market. Sir Leon's advisers claim Mr Van Miert was too soft on state aid to airlines, the supervision of which is still the responsibility of the transport commissioner. But it is impossible to predict from a handful of decisions how he will react to more complex ceses which hring

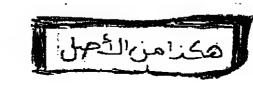
competition considerations. An independent EC cartel office. This is not yet part of the Commission's armoury, hut the question of whether to create a separate German or British-style competition authority is certain to be posed during Mr Van Miert's tenure. The suggestion was always attacked by Sir Leon, partly on the grounds that it would encourage commissioners to take purely political decisions, swhereas under the current sys-

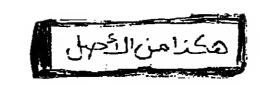
ings for competition. in fact, critics suggest that latterly Sir Leon was himself much too eager to tailor competition policy to short-term political demands: striking creative deals with merging companies, for example, to avoid another row like the one that exploded over de Havilland.

tem they are bound to consider

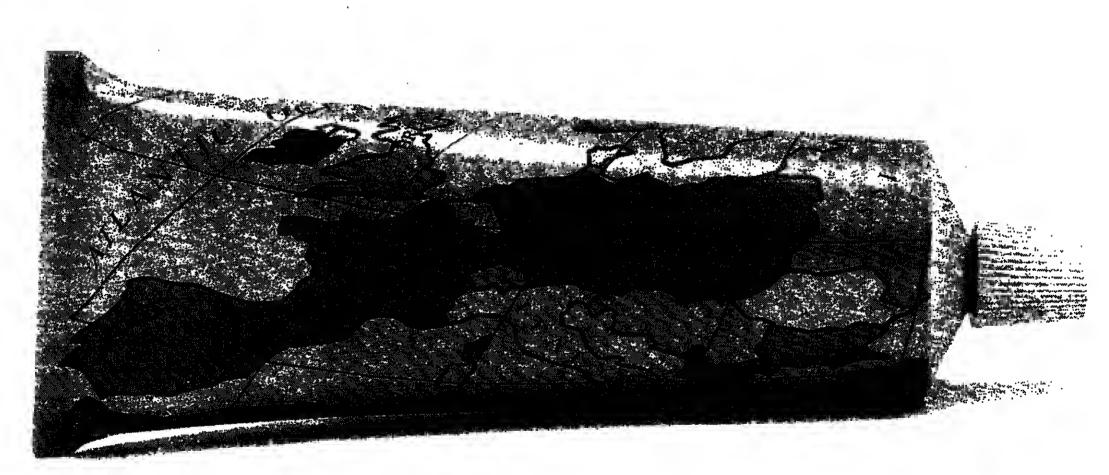
the implications of their rul-

Competition lawyers in Brusseis, and their corporate clients, say they are seeking the same from Mr Van Miert as they sought – and did not always receive – from his predecessors. They want predictability in the implementation of EC competition policy, enabling husiness to work confidently within the single market. Mr Van Miert's muchvaunted pragmatism will face





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Winston Churchill (UK). Prima Minister 1940-45, 1951-55. Proposed "United States of



president, European Coal and Steel Community (ECSC) High Authority, 1952-55



Alcide De Gasperi (Italy). Prima Minister, 1945-53. Inspired Italy's posi-war moral and material



Konred Adenauer (Garmany). Chancellor, 1949-1963. Mada West Germany a pillar of European



Paul-Henri Spack (Balgium). Foreign minister and prime minister, creative lorce behind 1957 Traaty of Rome



Foreign minister, 1948-53. Drove forward Franco-Garman rapprochement with ECSC

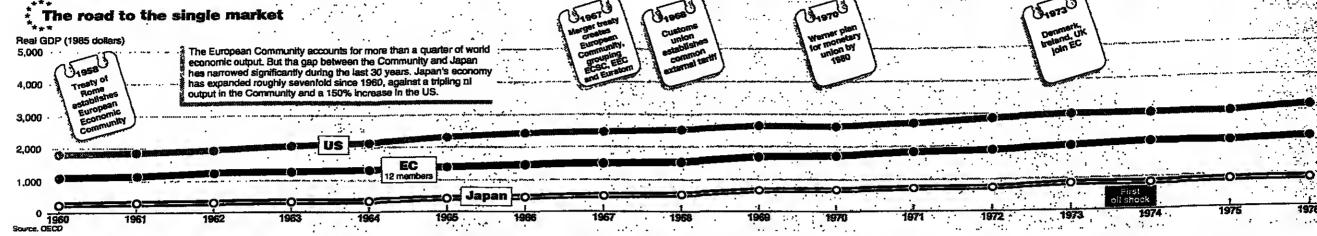


Watter Hallstein (Germany). First European Commission president, 1958-67. Helped to lorga Iha Common Market



Charles de Gaulle (France) President, 1958-69. Propous "Europe des Patries" to resist Amarican influance

The road to the single market



IT WAS not supposed to be like this. The single market is open for business, just as the European economy slows down. Far from heralding renewed economic dynamism, January 1993 coincides with rising unemployment, currency turbulence and popular dissatisfaction. The European Community witnesses not a new burst of confidence and creativity, but a return to the gloom that occasioned the single mar-

The OECD's latest Eronomic Outlook gives the growth of Europe's real gross domestic product at 1 per cent between 1991 and 1992 and forecasts it at 1.2 per

cent between 1992 and 1993. By contrast, the Outlook published last June forecast growth of 2.4 per cent between 1992 and 1993. This balving of the forecast for the coming year is consistent with the past over-optimism of the mainstream forecasters. The economic growth of 2.5 per cent forecast by the OECD for 1993 to 1994 could prove to be yet another overestimate. The European economy would then experience four successive years of disappointing growth.

Economic performance of the main European economies has been far from

Worst by far has been that of the UK. After falling by 2.2 per cent between 1990 and 1991 and by I per cent between 1991 and 1992, GDP is forecast by the OECD to rise by 1.3 per cent between 1992 and 1993. Yet even the expected growth of 2.4 per cent between 1993 and 1994 would only bring GDP back to its 1990 level.

By contrast, Italy is at least expected to sustain positive growth, though at low Martin Wolf weighs up the prospects for united Europe's economic recovery

Latent power to turn the tide

rates, throughout. Between 1990 and 1991 growth was 1.4 per cent. This is expected to be followed by 1.2 per cent growth from 1991 to 1992 and 0.8 per cent from 1992 to

in spite of Italy's fiscal crisis, the most severe among the group of seven leading industrial countries, its economic performance has not been much worse than that of France, even though French rigueur has made it the EC's blue-eyed boy. Between 1990 and 1991 French GDP expanded by 1.2 per cent. The OECD says it will expand by 1.9 per cent between 1991 and 1992 and forecasts only 1.6 per cent growth in the following year.

Europe's disappointing economic performance is partly explained by an adverse world economic environment, particularly the lingering recession, from which the US seems at last to be recovering.

It is also explained by problems within particular countries, notably the UK, with its overhang of private sector debt, and Italy, where public debt exceeds total GDP. But the principal failure lies in Germany, Europe's economic and geographical heart. After four years of rapid economic growth, capped by the positive economic effects of unification in 1990 and 1991, Ger-

man GDP continued to expand hy 2.9 per

cent in the first half of 1992, but only to contract by 0.9 per cent in the second half. The OECD has forecast 1.2 per cent growth of GDP between 1992 and 1993, hut the organisation's chief economist has already lowered this forecast hy half a percentage

Surprisingly perhaps, a German recession need not be bad news for the rest of Europe. The German economy has slowed in response to the Bundesbank's determi-

account surplus between 1990 and 1991. Europe needs lower short term rates of interest. Though a deep recession is bound to damage Germany politically and economically, it should lead to lower German interest rates and so give members of the

A German recession need not be bad news for the rest of Europe. It could lead to the lower interest rates needed by ERM members

nation to bring inflation down from the 4.5 per cent registered in 1991 (measured by the dellator for total GDP) and expected by the OECD for 1992, to the 2 per cent it thinks is tolerable.

German short term rates of interest have been exceptionally high in both nominal and real terms. But the belief that the D-Mark would never be depreciated within the exchange rate mechanism turns these German interest rates into the floor for all ERM members. Those interest rates have then deflated the economies of the rest of Europe. French short term real interest

ERM the lower interest rates they need. By now, this group excludes the UK and Italy, both shaken out of the ERM in mid-September. Apart from the suspension of the pound and the lira, the Spanish pesets has been realigned twice and the Portuguese escudo once, while the Irisb punt, the Danish krone and the French franc have all been subject to considerable pres-

rates are 7-8 per cent, for example.

The contractionary effect of these rates

has endured far longer and been far stron-

ger than the stimulus generated by the

disappearance of the German current

The collapse of Finnish, Swedish and Norwegian attempts at fixing their exchange rates attests to the general disarray. Should the process of dissolution pro-

ceed still further, the Maastricht treaty's planned march towards economic and monetary union hy 1997, or 1999, will lose all plausibility.

In any case, the convergence criteria laid down in that treaty, largely at German behest, will create severe difficulties. At present only two countries - France and Luxembourg - fulfil all these criteria, though Denmark (which has opted out from Emu) and Germany (the majority of whose citizens would like to opt out) almost make the grade.

The European slow-down has helped to bring about convergence of inflation: eight EC member states had consumer price inflation of between 2.2 and 4.1 per cent in 1992, with German inflation highest of this group. But slow growth makes it much more difficult to meet the Maastricht criteria for fiscal policy.

The IMF and the OECD argue that most member states cannot afford and should not attempt further fiscal stimulus. This may well be so, but slow growth will make reducing fiscal deficits difficult, while the immediate consequences are bound to be deflationary

Gloom is the natural reaction to Europe's current economic situation. The single market is not having the positive

effect on Europe's economic performance that was hoped. The monetary system is under attack. Meanwhile, policy-makers seem totally ineffective. The growth package agreed at the Edinburgh summit was nugatory, for example. As for the Bundes-bank, it remains obstinately set on its

deflationary course.

Yet, there is more to the prospects for the European economy than the current slow down. The important questions are those about the long term. Here there are Important worries, but there are also

opportunities. Among the worries are whether Germany will manage to integrate the east German economy or will be struggling semi-permanently with high overall unemployment and high public sector deficits: whether the eastern European economies will achieve rapid economic growth; whether the world economy will recover its lost dynamism; and whether, in particular, the Uruguay Round of multilateral trade negotiations will be successfully

completed. These worries are the counterparts of economic opportunity. German unification should enable the EC's most important economy to achieve faster growth than in the 1970s and 1980s; eastern European reform could revitalise the European economy as a whole; and a dynamic and truly global economy can be created for the very first time.

Since the EC is the world's largest trading entity and one of its two largest economies, accounting for more than a quarter of world output, it is itself able to turu its worries into opportunities.

> at constitutional problems if Emn is not accompanied by Epu. They say it would be mistaken to transfer responsibility

for one aspect of economic policy - monetary affairs - to a supranational institution, while leaving the rest in the

hands of national govern-

ments. Since monetary policy

decisions of the European cen-

tral bank in these circum-

stances are not likely to be co-

ordinated with national eco-

nomic policies, they may pro-

duce undesirable effects. More

fundamentally, European cen-

tral bank actions may infringe

national powers to shape eco-

This reasoning is rooted in

the Keynesian view that cen-

tral hank actions influence

Alternatively, one may pos-

tulate that a central bank's

only joh is to provide sound

money, and that this is a goal

to which all other economic

policy objectives are subordi-

nate. This is why prudent soci-

aggregate economic activity.

nomic policy.

Hans-Peter Fröhlich suggests Germans are too enthusiastic for political union

Emu can go it alone

MANY GERMANS think that the Maastricht treaty Is heavily lopsided. It specifies European Monetary Unloo (Emu) in great detail but is very vague on European Political Union (Epu). This result does not conform to the original German intention: before the Maastricht summit, Chancellor Helmut Kohl insisted on the need for parallel progress on Emu and Epu.

Numerous volces in Germany have recently called for new efforts to complement Emu with Epu. Particular support for Epu comes from many German economists, on the grounds that Emu will not be able to function without it.

This view is based on four maio arguments, none of which is truly convincing. It is possible to create Emu without Epu. Furthermore, the creation of the single market may give an additional spur to this beneficial process. The first of the four argu-

ments for Epu rests on the premise that a single currency provides an additional incentive for government deficits. This is because a single currency removes the inflation and interest rate constraints for public borrowing.

Consequently, the theory

goes, fiscal policy mnst be tightly controlled on a community level - a process which in the final analysis, requires political union. Otherwise, anti-inflationary monetary policies are likely to be thwarted by fiscal laxity.
Yet, while a single currency

does lift some public borrowing coostraints, it also creates new ones, because national governments can no longer use the inflation tax to finance deficits. The increasing mobility of capital in a monetary union will at the same time put pressure on governments to project an mage of fiscal soundnes In addition, the Maastricht

treaty itself helps to ensure budgetary discipline. One of the criteria for eligibility to join stage three of Emu is that the government deficit must not exceed 3 per cent of GDP. The ratio of public debt to GDP must also be not higher than

fn practice, these criteria may not be "watertight". But would matters be improved

with European political union?

There is room for doubt

whether in a political union central authorities really are in a significantly hetter position to enforce hudgetary discipline among the lower tiers of government. Federally structured states, such as the US or Germany, provide numerous examples to the contrary.

The next economic argument in favour of Epu runs like this: a single currency implies that the exchange rate is no longer an economic policy instru-ment. Under these conditions, asymmetric demand or supply shncks in the Community would lead to large and destabilising fluctuations in output and employment. Since most pain would be felt in the less productive, poorer economies. the richer countries would have to provide financial sup-

THE deepening of the European Community brought about by the sin-

gle market also marks a step towards

During the second half of the 1980s.

the EC became an attractive magnet

for applicants ontside its borders.

Three members of the European Free

Trade Association (Efta) - Austria,

Sweden and Finland - are dne to

start EC entry negotiations during the next few weeks, with a fourth country, Norway, getting down to

talks this spring. Their aim is to

These four states, together with the other three Efta members - Switzer-

land, Icaland and Liechten-

stein – were due from January 1 to

have formed with the EC the Euro-

pean Economic Area (ERA) - a free

trade entity seen now as encompass-

ing a waiting room for full EC mem-

The start of the EEA has been

delayed until the second half of the

year. This follows Switzerland's ref-

erendum rejection of the EEA last

month - a decision motivated hy

Swiss voters' fears that the EEA

would bring a dilution of their pros-

perity and stability. Assuming the

other Efta states go ahead with ratifi-

cation, the EEA will now link only 18

states, rather than the 19 (including Switzerland) originally planned. Under the EEA, the regulatory

framework of the single market is to

be transferred practically wholesale

to Efta - which is to adopt EC rules

nn competition, company law, con-sumer protectinn, education, the environment, research and develop-

ment and social policies. The Efta

cnuntries are to set np their own

enforcement body with powers over

Efta territory. The Swiss "Nn," hy a

become full EC members by 1995.

its enlargement.

port for them. A large-scale horizontal fiscal transfer mechanism, however, would be acceptable to the voters only within an already-unified polit-

ical entity. This argument ignores the dynamic effects of economic integration. Monetary union would further increase the mobility of goods and capital in Europe which, as experience shows, tends to benefit the poorer countries most.

Spain and Portugal are cases in point. Since joining the EC in 1986, hoth have enjoyed growth rates almost twice as high as the rest of the community. The single market, combined with monetary union, may actually reduce the need for fiscal transfers, provided national governments pursue the right economic policies. which must above all be geared to improving the snpply

The third line of argument emphasises that price stability cannot be achieved by the central bank alone, no matter how independent or skilled it is.

The primacy of price stabillty often implies painful policy trade-offs in terms of lower growth or higher unemployment levels. These consequences will not be accepted unless all segments of society share a broad anti-inflation consensus. In Germany the Bundesbank has always been able to count on that consensus, enabling it to play its rôle as guardian of the currency. Many observers doubt, however, whether this traditional German preference for price stability will he shared throughout Europe. Emu would then be doomed to fail-

This reflects old thinking. There have been times when Germany looked like an island of price stability in an inflationary sea, but the position has changed in recent years. Six countries have, since 1979, participated with Germany in the narrow band of the EMS exchange rate mechanism. During the 1980s, most of these countries - Belgium. Denmark, France, Ireland, Luxembourg and the Netherlands - have seen their inflation

rates converge with or even fall helow, German levels. This clearly documents their commitment to price stability.



Berlin shoppers: a weakness for rose-coloured spectacles

The RMS split between low and higher inflation countries has been made still more evident by the currency unrest of last antumn. And, under the

Maastricht rules, those countries which have not attained an anti-inflation consensus will

be barred from joining Emu. Fourth, some observers hint

This enthusiasm is not shared in Switzerland. In view of the Swiss franc's habitual hard currency status, the Swiss are no more eager to give it

up for a single European currency than the Germans are their D-Mark. With the anticipated entry of the Efta states in the mid-1990s, the EC's enlargement process will still be a long way from complete. Hungary, Poland, the Czech lands and Slovakia are waiting in the wings, while Malta, Cyprus and Turkey have lon-ger-standing applications. However, all these states in the aute-room will certainly have to wait until the next century before they can accede to full

membership. In the meantime, they have little choice but to persist along the hard path of restructuring their economies and overhauling their political insti-tutions. The non-Efta applicants see

All these ponrer states face an uncomfortable, somewhat paradoxical, truth. Before they can join Europe's rich man's club, they will

eties put responsibility for monetary policy in the hands of an independent central considerable sympathy for the conbank. It does not make much cept of greater political co-operation difference in this context in fields such as immigration policy. whether the central bank oper-And the Nordic states - in spite of, ates autonomously within one and partly because of, the antumn country, as the Bundesbank turbulence - are among Europe's has done for many years, or on most fervent devotees of monetary a supranational level, as the European central bank would.

Thus, there is little reason to assume that monetary policy cannot be conducted effectively unless Emu is accompanied hy Epu. On the contrary, Emu without Epu might repre sent a superior institutional framework for price stability. In Emu without Epu, policy-

makers will have a much better chance of accepting the fact that monetary policy is no lon-ger within their grasp. in most European countries, national control over monetary policy has long heen an illusion; under EMS rules, Germany's partners have to foilow the course of the Bundesbank.

In Emu they will be better off. While the central bank continues to be out of their reach, they will be faced with monetary policies set hy a supranational institution. ratber tban by an individual foreign central bank

If monetary policy is transferred to a supranational level, it will, after all, be largely depoliticised. With its formal status of autonomy, the European central bank would be in good position to live up to its

task: providing sound money for the citizens of Europe.

Hers-Peter Frihitch is senior economias at the institut der deutschen Wirtscheft.

More countries are queueing to join, says David Marsh

Wider still and wider

small majority of the electorate and a larger majority of cantons, was not unexpected. In view of Switzerland's entrenched neutrality and its unique system of direct democracy, there was even some quiet relief among soma Brussels officials, who feared that Switzerland's special features might have made it the cuckoo in the

The No necessitates a time-consuming revision of the EC-EEA treaty meant to have come into force this month.

Efta states will have to renegotiate funding of Ecu2bn over five years dne to be channelled to the EC's poorer regions under the terms of the According to initial indications, the

six Efta states still in favour of the

EEA are asking the EC to accept a simple reduction of the Swiss contri-bution. This has sparked hostility, above all from Spain. Other Efta countries have also, like Switzerland, witnessed a cooling of electoral enthusiasm about EC mem-

bership. Because these Efta members will themselves be holding EC referendums during the next few years, further Swiss-style sethacks cannot be ruled out Public npinion in Sweden and Finland, both in the grip of severe recession, has become less keen on the EC

reinctance which has probably

been increased by the European cur-

rency turbulenca in the closing

months of 1992 which led to large devaluations of the Swedish krona and the Finnish markka.

There are also considerable doubts whether the Norwegian electorate will give its blessing to the EC link-up. Memories are still strong of the Norwegian referendum rejection of EC membership in 1972. However, if neighbouring Denmark surmounts its problems over Maastricht with a Yes to the treaty in the new referendum being held this spring, this will

Austria, Sweden, Finland and Norway ere to start talks over the next few months, with the aim of being EC members by 1995

ease some of tha public npinion obstacles confronting the other Nordic states Despite the Swiss vote, the momen-

tum towards EC enlargement is now unstoppable. The main reason behind Efta's desire for full membership is political rather than economic. The EEA confronts Efta states with EC legislation over which they have no control. In a narrow financial sense, full EC membership will bring the Efta countries additional burdens.

Because their per capita income is well above the BC average, all current EC applicants among the Efta states would be large net contributors to the Community budget. But the wish to play a full part in the political development of the Commu-nity – possible only if they are fully within it - appears to be paramount.

Even for Switzerland, which in the words of EC officials opted for "isola-tion" last month, the door to EC membership is not closed for all time. Mr Helmnt Kohl, the perennially optimistfc German Chancellor, believes that the Swiss electorate will evantually come round to accepting that joining the EC is in their country's best interests. For several reasons, the Nordic and

apme countries on the SC mages generally believe they would suffer disadvantages if the EC forged ahead without them towards greater political and economic integration. The inconveniences include the prospect of lower economic growth, as well as the likelihood that invest-

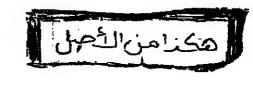
Alpine countries on the EC fringes

ments and jobs would flow towards the EC core. The London-based Centre for Eco-omic Policy Research last antumn estimated that membership of the EEA was likely to boost growth in

Efta by 5 per cent over tha next few Mnst Efta nations - especially those with the status of neutral countries - are much more wary about the idea of Europe moving towards full-scale political union, involving pooling of powers in areas such as defence or criminal law. But there is

the EC above all as a means of bolstering their economies and encouraging financial transfers from the wealthier countries of Europe. Tha EC, however, views membership chiefly as a reward for economic achievement, rather than as a precondition for it.

have to become richer themselves - by registering up to a of higher-than-sverage growth.





Edward Heath (UK). Prime minister 1970-74. Sturdy supporter of Euro-integration. Took Britain



Heimut Schmidt (Germany). Chancellor 1974-82. Co-architec with Valery Giscard d'Estaing of



Roy Jenkins (UK). Europ Commission president, 1977-81. European currencies



King Juan Carlos (Spain). On the throns since 1975. Pivotal figure in re-establishing Spanish



Mario Soarea (Portugal). Helped bring in civilian rule as prime minister after military ousled.



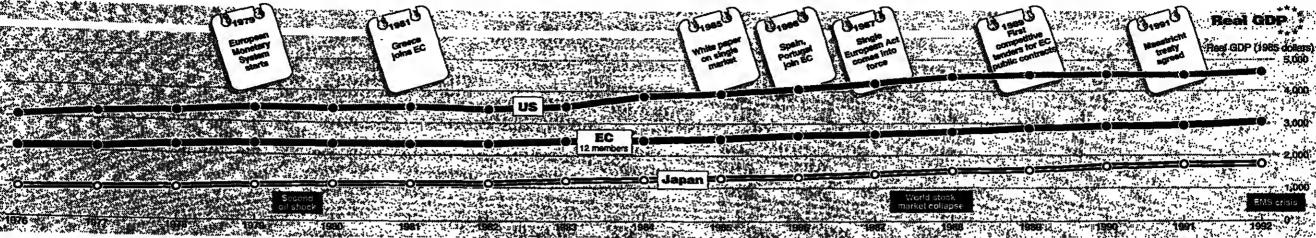
ster, 1979-1990, Opposed supranational Europe, but tool



es Delors (France). Emu hopes dented. But success



President since 1991 of Europe's ds facto central bank - the



TRADE liberalisation has consistently been the most suc-cessful aspect of the process of European integration, and the Single European Market brings it to a triumphant conclusion.

Paradoxically, however, Europe's political leaders have always, just as consistently, aspired to carry European inte-gration into the superior uplands of high politics. In a sense, the history of the Euro-pean Community is made up of the antithesis and alternation between these two themes.

From the beginning, the founder members of the European Community believed that they were engaged in an essen-tially political enterprise, and they made repeated attempts to put flesh on these aspirations. Yet, their efforts to build an integrated Community with an explicitly political character have run into repeated difficul-

By contrast, the negotiation of the removal of barriers and the progressive liberation of trade turned out to be surprisingly quick and easy, first in the inaugural 1960s, and again in the past seven years.

The political aspirations of the high priests of Enropean

 \hat{S}_{jk}

lan Davidson surveys Europe's 40-year route march towards a friendly union of historic enemies

It started with coal, iron and steel

integration are apparent in the names they use: the Brusselsbased organisation started out as the European Economic Community; it then became simply the European Community, and now in the Maastricht Treaty it is renamed sim-

ply the European Union. Yet, the title which best matches its most unquestionable achievements is the unofficial name long used by most ordinary people; the Common

Even as they were embarking on economic integration. the founding memher states aimed to give their enterprise an explicitly political character. The Schuman Plan of 1950 broke new ground in economic cooperation and trade liberation, by bringing the coal and steel industries of the Six member states under common rules; but the ulterior purpose of this new economic enter-

prise, as described at the time by French foreign minister Robert Schuman, was mainly political, to make war between France and Germany not only "unthinkable but materially impossible".

Similarly, when the European Economic Community was formed at the end of that decade, the central treaty responsibility of Walter Hallstein, the first president of the European Commission, was to oversee the removal of internal customs duties and the installation of a common external tariff. But his constant refrain was: "We are not in business, we are in politics."

This antithesis between the political and the economic has meant that the history of the European Community has been marked by an alternation between attempts to get into overtly high politics, and lower-key phases of economic regulation and liberalisation Repeatedly, the political leaders from the six founding member states have tried to accelerate the pace of events, by building a new European bridgehead on the high ground of politics. Just as repeatedly, their political projects foundered. But each time they fol-

lowed up their political defeats

by new and usually successful

initiatives in the field of economic or trade liberalisation. This antithesis between high politics and pragmatic trade liberalisation has been the most consistent single theme in the running policy debate between the members of the Community, and it has regularly pitted the United Kingdom against the original Six. Indeed, that argument, which is still going on today, is the

central key to the Community's development. In the post-war negotiations

which led to the creation of the Paris-based Organisation for European Economic Cooperation (now the Organisation for Economic Cooperation and Development), Britain opposed the supranational ideas advanced by France. In effect Britain won, hecause the OECD is still a loose organisa-

out supranational powers. But the argument did not end there. The next time it was the French who won, since the primary characteristic of the first European Community, the European Coal and Steel Commnnity (ECSC) founded in 1951, was that it had a High Authority with significant supranational powers. The British stayed away, but the

tion of sovereign states with-

Euphoria over the launch of the ECSC caused the Six, and especially the French, to underestimate the difficulties

Six went ahead.

of political integration. When the Korean War broke out in European Economic Community (EEC) in 1958. Once again 1950, and America pressed for the re-arming of West Ger-many, the Six threw themthe British stayed away. selves enthusiastically into negotiations for the creation of a European army. These con-cluded in 1952 with the signature of a treaty for a European

which the British again stood aside; but after long and fevered debates in France, the BDC treaty was eventually rejected in the French National Assembly in 1954, through the combined opposition of the Gaullists and the Communists.

Defence Community, from

The defeat of the EDC caused a major psychological shock among the Six. But the momentum behind the European idea was nevertheless so strong that they quickly devel-oped another new initiative, for a Common Market. They negotiated the Treaty of Rome

in 1955-57, and launched the

This was the moment when the Six finally began to find the right balance between politics and economic liberalisation, hetween pre-ordained objectives and future policy making.

In one sense the Rome Treaty was obviously an attempt to compensate for the failure of the Defence Community, hy launching a more cautious initiative at the work-aday level of trade liberalisa-

But the originality of the EEC was that it embedded the first policy objectives of the Rome Treaty, the elimination of internal tariffs and the creation of a customs union over a 12-year transition period, in an ingenious machinery of common institutions, so as to

he Europe of 1993 cherishes its local customs as much as ever Which is why, despite all the talk, the new Europe seems remarkably like the old. But on the roads and in the skies a quiet change has taken place. UPS is now trusted to deliver more packages across Europe than any other company. Because, whether you send them Express

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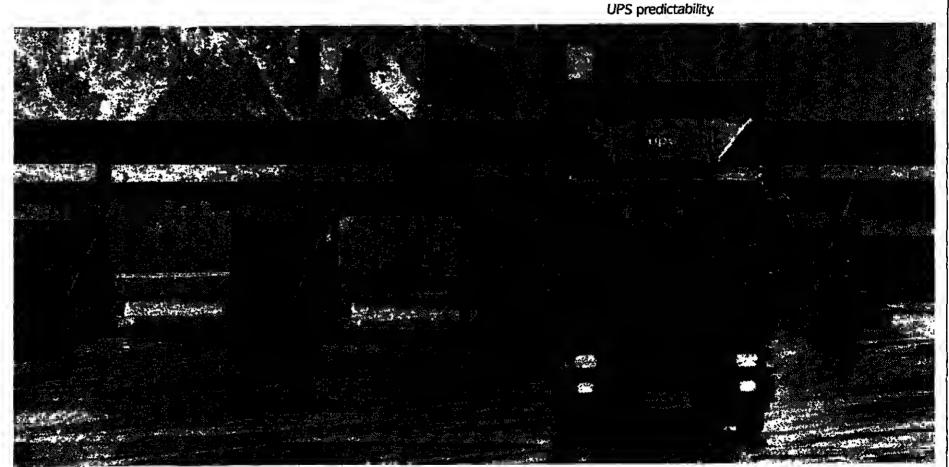
enable this new Community to improvise in the world after

the customs union. In practice, the removal of customs tariffs proved remarkably painless. The French had feared that their industry would be unable to compete with that of Germany; that was why they insisted from the out-set that the industrial customs union must be balanced by a common agricultural policy. In the event, their fears proved groondless: like the other member states, their economy was buoyed up by the rapid growth of the 1960s, and the Six were able to complete their customs union in mid-1968, a

year ahead of schedule, The irony of this thriving Common Market was that it became the back-drop for a rerun of the old battles between nationalists and supranationalists. This time, bowever, it was France in the person of President Charles de Gaulle which championed the nationalist cause from within; while the British, who had refused membership when it was freely available, now wanted to join but were refused entry by the

☐ Continued on Page 6

WE'VE ALWAYS AIMED TO BE THE MOST PREDICTABLE DELIVERY COMPANY IN EUROPE. Now There's NOTHING STOPPING US.



In short. they arrive when we tell you they will And this predictability can only increase in 1993. Thanks to the loss of a few local customs even Europe felt it could do without.



As sure as taking it there yourself.

Tony Jackson looks at the development of industrial and competition policy

A house with glass walls

"The intellectual father of the single morket, Lord Cockfield, once soid that if all had known how much more competition the single morket would result in, European industry and, surely, Europeon governments would have been ogoinst it" - Martin Bangemann, EC industry com-

OR THOSE who believe that Europe should have an industrial policy, the beauty of the single market is that it represents such a policy in itself. In a unified market. runs the argument, companies can no longer hide their inefficiencies behind national barriers. Forced to operate on a truly competitive European stage, they thus enter a Darwinian process which produces regional champions capable of taking on the world's finest.

There will, of course, he casualties along the way. But. runs the argument, there should be at least as many winners as losers. The removal of trade harriers is in Itself an important stimulus to economic growth, which will - in theory - make good any damage suffered by industry as a whole through increased com-

However persuasive this argument, it suffers in the short term from two serious

snags. First, far from enjoying immediate economic growth, the single market starts life in a fairly severe recession. It is unusually hard to be sure how long this will last or how severe it will prove, if only because it is partly due to the one-off effects of German unifi-

Second, some of Europe's basic industries - steel in par-ticular - are suffering the effects of the wider structural change in eastern Europe. It is again hard to be sure how long the influx of cheap manufactured commodities from the east will last. But there is room for pessimism. If a steel mill or petrochemical plant is not going to be replaced, it can be run purely for cash rather than profit. This is a particularly attractive option if the cash comes in the form of muchneeded hard currency and the plant is relied upon for holding

a community together. Additionally, the single market will have the effect of exposing industry to greater competition from the industrial giaots of the US and Japan. So it is oot hard to see why it is viewed with mixed feelings by some Europeao industrialists. In many cases, the net result is bound to be a competitive squeeze on profit

margins. This raises the immedlate question whether overheads and manning levels need to be squeezed as well.

This may be happening already. By the and of last year, the list of multinationals announcing large-scale job cuts In Europe was lengtheoing ominously. Part of this, however was a conventional reaction to recession. Furthermore, job losses in the European car industry, for instance, must be seen in the context of continued controls on Japanese car imports until the year 2000.

Again, the 12,000 European job losses announced last month by IBM are a reminder that at least some European markets were exposed to the full force of international competition all along.

But there seems little doubt that as companies integrate their production around Europe - whether to take advantage of the single market or to protect themselves from lts pressures - systematic joh losses will result. The result, Mr Percy Barnevik, president of the eogineering giant ABB, told the FT earlier this month, could be a shake-out of labour comparable to that seen in agriculture earlier this cen-

Another element of indus-

trial restructuring is to be subsidised in many EC counexpected as well. Mergers and joint ventures io European ndustry are hy no means new:

they are a consequence of Industrial globalisation. But

they are also a logical response

to the challenges brought by

It is oot easy to specify the

extent to which these mergers

have heeo due to the single

market. The European food

industry, for instance, has seen

e perticularly high level of

takeover and merger in recent

years, with multinationals

such as Unilever, Nestlé and

BSN increasing their domi-

oance, and mere national play-

ers looking increasingly vul-

oerable. But this is largely the

result of developments within

the industry itself, such as the

increased readiness of consum-

some of Europe's most impor-

tant markets are not much

affected by the single market.

The pharmaceutical industry

still has to satisfy the medical

authorities in each EC country

separately before it can sell

new drugs. Airlioes are still

greatly restricted on the routes

they can fly within the EC.

Car-makers' protection from

the Japanese will last until the

end of the century. The steel

It is worth remembering that

ers to sample foreign food.

the single market.

is bound to respond by becoming leaner and larger.

Certainly, if the worst fears about the risks of the single

industry is still protected and

But in the long run, there is no doubt of the implications for industrial structure. The domestic market for individual European companies is hecoming inexorably higger. Another powerful stimulus for change comes through the gradual opening up of government contracts to competitive teoder from companies from other EC countries. European industry

One of the most important determinants will be EC competition policy. Sir Leon Brittan, head of the competition directorate until the end of last year, was seen as a champioo of the British preference for unfettered competition. His successor, the Belgian socialist Mr Karel Van Miert, may come under greater pressure to promote a more Freech-style industrial policy, perhaps favouring regional champions through merger and acquisi-

market are realised, the clamour from Europe's industrialists for a more intervectionist approach oo restructuring can only become louder.

Liberalisation will be a slow process

THE legal framework for a single Europeao insurance market is now firmly in place hur it will take years - possi-hly decades - for genuine lib-

eralisation to occur. Differences in taxation and contract law constitute real obstacles to cross horder trade, especially in life, home and motor insurance.

After moving at a faster rate than many would have predicted three years ago, the European Commission has this year approved a raft of directives aimed at liberalising the market for both life and nonlife insurance.

The legislation, which governments must implement from 1994 onwards, will open Europe's most protected markets to more competition and represents a victory for advocates of greater liberalisation. Under the "single licence"

insurers from any member state will be free to trade in any other member state, under home country rules. At the same time EC mem-

hers are now committed to dismantling the vestiges of the highly regulated regime. For example. governments cannot demand prior approval of policy conditions or premium rates or require companies to invest in a particular category of assets. That could have an important impact on insurers in Germany, Italy and Belgium, for example, where the motor insurance market is highly regulated.

Even so, genuine cross-border trading is still some way off. Insurers in different member states operate under very different tax rules. Most conti-

nental countries allow insurers much more freedom to build up tax-free reserves, while the room for manoeuvre of UK companies in this respect is still sharply circumscribed. Some life insurers must pay taxes on premiums, others do

Variations in legal regimes and the lack of a single con-tract law system will also hinder trade in insurance. According to Londoo solicitors Lovell White Durrant "the diversity of contract law means that any

'The diversity of contract law means that any comparison of ona insuranca product with another becomes unbelievably complicated for the

comparison of one insurance product with another becomes unbelievably complicated for the layman'

layman'

Penetration of some markets especially those such as the German, French and Italian, where retail networks are dominated by extensive networks of tied ageots, selling the products of just one company, rather than independent brokers - will be tough.

So far Europe's biggest markets - the UK, France, Germany and Italy - are still dominated by domestic companies, although some players are now beginning to win significant shares of neighbouring markets, either through out right acquisition or by the purchase of significant share

Germany's Allianz has an important share of the Ralian market through its acquisition of RAS, while France's Assurances Générales de France (AGF) could eventually win important influence in the German market if its currect attempts to control Aachener and Muenchener - Germany's third biggest insurers - are

successful France's privately-owned Victoire has also made important headway by acquiring Colonia, Germany's second big-gest insurer, in 1989. Victoire is currectly engaged in a long drawn-out battle with its nationalised rival, Union des Assurances de Paris, for control of the company and a string of other Enropean com-

panies to which it is linked. Elsewhere Italy's Generali as well as several French, Swiss, German and Dutch companies are expanding in the rapidly growing Spanish and Portuguese markets, while AGF is a lominant player in the Irish

market. Companies, such as Switzerland's Zurich and Winterthur, and Germany's Allianz have built up atrong shares of the continent's market for commercial risks business (the policies bought by larger industrial and financial companies).

By contrast UK companies have recently made relatively little impact io Europe, although Commercial Union's Delta Lloyd subsidiary has an important share of the Dutch

Richard Lapper



CHALLENGE: Toyota cars for export waiting to be loaded on to a ship at the Toyota Nagoya Whart Cantre, Japan

David Dodwell gauges the Community's protectionist leanings

A free trade area but

TBE creation of the single market has for several years aroused fears that the world is poised to collapse into competing trade hlocks. Fears have been inflamed by the recent progress towards a North Americao Free Trade Area. With apologies to Mark Twain, reports of the death of free trade have been greatly exaggerated.

However, the dangers of Europe turning inward should not be dismissed out of hand, although these have been linked more with the wider evolution of the EC than with the creation of the single mar-

There is inside tha EC a north-south divide which separates northern memhers who are keener to encourage free trade from southern member states with strong protectionist tendencles. For example,

politically traumatised.

The international monetary

system was thrown off balance

hy the US ahandonment of

Brettoo Woods in 1971. The

world cconomy was throwo

into stagflation by the two oil

crises of 1974 and 1979. And

early 1980s.

the large number of Freoch companies with state investments inhibits free trade within that market for a number of products. So do polícies in Italy favouring local mano-

State supports for strategic industries, or "national champions", and government pro-curement rules that keep foreign competitors at bay are also born out of protectionist

These reflexes have been stiffened towards countries ontside the wider European region as EC member states have realised that, for reasons of political as much as ecooomic security, countries in eastern and ceotral Europe must be given improved access to the EC markat. So far, offars of improved market access to the former Comecon countries have been derisory.

and even these have been eroded by dumping actions against some of the more anccessful exporters from Poland and Czechoslovakia. But in due course they are likely to

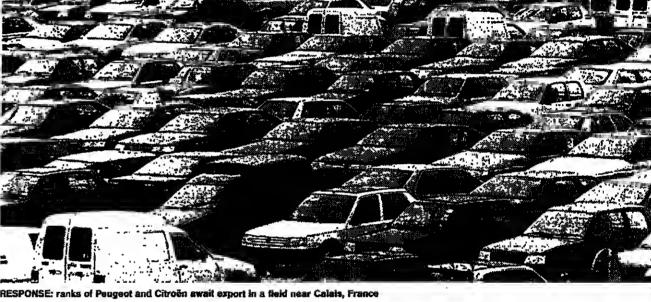
The high level of trade conducted within the community it averages about 60 per cent, and peaks at 75 per ceot with Portugal - makes trade with other parts of the world less significant than for countries in other regions. By comparison, the US relies on the north and sooth American region for just 35 per cent of lts exports, while Japan sells per cent of its exports in the Asia-Pacific area.

However, this does oot mean a "Fortress Europe" is a particularly attractive option to most EC industries. Unlike countries elsewhere, those in Europe are unusually dependent on international trade Germany'a exports account for 26 per cent of its GDP - not far from the EC average while Ireland's exports account for 56 per cent of GDP. This compares with just 7.4 per cent for the US, and 9.4 per cent for Japan.

For countries so heavily dependent on international trade, EC member states have as much to fear from competing trade blocks as any. The emergence of the North American Free Trade Area embracing the US. Canada and Mexico - and of a wider westeru hemispheric trading region given form hy President Bush's Enterprise for the Americas initiative, has given EC exporters clear warning of the price that could be paid for raising protectionist walls

around Europe. At present,

neither the single market nor





Nafta need take a protectionist form. But they provide the institutional means for this to happen if the mood should

Some of this was doubtless

triggered hy the new opportunities arising out of the chance the single market provides to serve so large an integrated market from just one or two locations. But some was also "just in case" investment, to avert the danger of losing access to important markets if the single market raised effective protection around the EC. A perverse consequence of this flood of inward investment has been to divert investment from European countries ontside the EC, in particular the Efta countries. It is this - coupled with the fact that the Efta group relies on the EC for two thirds of its exports that has encouraged countries such as Sweden to press so argently for full EC member-

However, obsession with the protectionist dangers of the single market have clouded the trade-liberalising consequences of the change. Compales in each EC member state

For these reasons, it is not

surprising that Europe's trading partners have refused to dismiss the danger of emergent protectionism around the creation of the single market. Japanese foreign investment in Europe surged during the second half of the 1980s as companies pre-emptively established a production capa-bility inside tha EC.

> hampered by national barriers to trade are set to see almost all institutional obstacles fall to free trada across the whole community. Exporters to Europe which currently have to deal with 12 different sets of export documentation, negotiating market access, and distribution arrangements country by country, will from January have to jump just ona set of hurdles. Once goods land in one EC country, they can be moved freely across a market of 344m people, without bor-der controls, or other checks, providing a marvellous opportunity to rationalise and improve distribution.

n due course, standards of all kinds will be harmonised. whether for regulatious for electricity sockets, safety standards or food additives, giving exporters and domestic mannfacturers the same consider-

that have in the past been

\$44.16) Other \$38.36n

\$51.96n Other \$50.46n able scope to simplify production and packaging arrange-

\$87.80m United States \$1,2.2bm

\$27.8bh. W. Hemisphere. \$34.1bb

Africa \$45.8bn

1 \$48960 Middle East : \$43.9br 1 \$618.2bn

But whether or not the sin-gle market will raise or lower effective protection will also depend heavily on the outcome of the long-delayed Urnguay Round of talks aimed at reduction of barriers to international trade.

The outcome of these talks. which have crept inconcinsively forward for six years, remains uncertain.

But in so far as the draft agreemant published a year ago, and negotiations up to the end of 1992, provide a guide, the Uruguay Round would reduce protection in farm trade, cut tariffs in a number of industrial sectors to zero, set a 10 year timetable for dismantling protection in textiles and garments, and open up a number of service industries - including banking and insurance, audio-viacal services and shipping.

The Uruguay Round would set stricter rules for deciding whether or not an exporter to the EC is dumping. This will be of particular importance to Japan, the Asian "tigers", and the liheralising countries of central Europe, since the EC, with the US, is quick to take anti-dumping actions to pro-tect domestic industries that are inefficient, vulnerable, or simply powerful.

But nelther the Uruguay Round, nor the establishment of the single market, will overnight remove all inconsisten-cies in trade policy between EC member states. It will take at lesst six months for national qoota arrangements for banana imports to be harmonised. Rationalisation of textiles quotas, quotas on ahoea and hicycles, and of "voluntary restraint agreements" oo imported cars may take longer still to sort out.

Europe's 40-year march to unity ☐ Continued from Page 5 In 1961-62 de Gaulle tried to emasculate the European Cominside the Community, it became apparent that tariff liberalisation was only the first munity with a new inter-govstep towards a free market; ernmental Treaty restoring member states were compensapolitical authority to the memting for the alow-down with national regulations, state sub-sidies and industrial policles her states. And in 1965 he tary Union. returned to the fray, with a frontal attack on the principle whose purpose and effect was of majority voting under the protectionism Rome Treaty. Neithar attack The Community attempted succeeded; hut the second left to grapple with the consethe Community bruised and

quances of the alow-down, hy searching for a follow-on pro-This political traums lasted gramme for the customs union. long after de Gaulle left the In 1969 lt issued a declaratory scene in 1969. For the euphoria call for an Economic and Monof the rapid economic growth etary Unioo in Europe, and of the 1960s gave way to Euroagain in 1972; but in practice possimism in the 1970s and

nothing hecame of the idea. It was not until the end of the decada that Europe began to recover its inventive energy in 1979, President Giscard d'Estaing of France and Chancellor Helmut Schmidt of Garmany provided their solution to the instability of the international

monetary system, with their scheme for a European Mone-tary System (EMS), which has since become the basic huilding block of the more recent plans for Economic and Mone-

Five years later (in 1985) the Twelve resolved that thay must after all settle down to turning the customs union into a true Common Market, hy removing the many remaining non-tariff barriers and other obstacles to complete commercial freedom.

Mrs Margaret Thatcher, the then British prime minister, saw the Single European Act as an attractively free-trade alternative to the more politically ambitious projects which France and Germany seemed to be promoting. But as so often in the EC.

Mrs Thatcher's ideological vic-

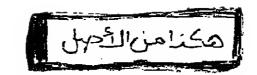
tory in favour of simple free

ous than she may have hoped. The immediate price of a

incomplete and more treacher

commitment to a single Euro-pean market, with its four free-doms for goods, persons, servicea and capital, was a significant enlargement of the role of majority voting. The deferred price, was that the logic of the single market paved the way for the Delors report, which in turn paved the way for the Maastricht Treaty and the programme for Economic and Mooetary Union.

These latest grand schemes have not necessarily been any better designed than the EDC of 1952, and they may collapse under their own waight. But the central fact about the Maastricht treaty is that it is an attempt to unite, at a high level, the political and the economic themes of European



Philodia rest

THE EUROPEAN SINGLE MARKET 7

Andrew Hill probes sensitive areas where unity is elusive

Deferrals and omissions make progress patchy

THE single market was always going to he a patchwork. Nobody ever expected a flaw. less barrier-free area to take shape at midnight on December 31, 1992, however much the politicians like to say that it

Instead, the single market has been an evolutionary programme of measures, with different elements coming into

force at different times. Many of the most important changes have already happened. For example, exchange controls were lifted in eight countries - all except Portugal, Ireland, Greece and Spain by July 1990.

The first legislation to open up the market for public procurement, worth 15 per cent of the European Community's gross national product, came into effect as early as the beginning of 1989. Gradnates' qualifications have been recognised across all 12 member states for the past two years.

But in spite of the surprising speed with which the European Commission and member states have worked to adopt and enforce single market legislation there are still some notable gaps, which it will take many years and much political negotiation to fill. Broadly. they divide into three areas: delays, deferrals and omis-

• Delays: These are the measures which have not taken full effect, even though they have been adopted by member states, because they have yet to he properly implemented or transferred into national law.

Snch delays are occurring in all areas of single market law. According to some analyses, less than 50 per cent of Lord Cockfield's 280 or so measures have been transferred into the national law of all 12 member

Commission officials play down this figure. They point out that the original legislation makes clear that all adopted measures come into force on January 1, 1993, even if they have not been transferred into national law.



conform with single market

• Deferrals: The single mar-

ket is riddled with deferrals -

or "derogations" in EC jargon

tion to ease a political agree-

ment, or because it will take

time to implement a measure.

Frequently they apply only to

one or two member states,

sometimes to a specific indus-

The most obvious example is

the "transitional" system for collection and administration

of value added tax (VAT).

Member states agreed a system

which allowed border controls

to be abolished on January 1.

But this is, in theory, only a

temporary measure, and the

Commission still envisages the

installation of a permanent

VAT system in 1997.

usually written into legisla-

Thus, consumers or traders who helieve that they are being deprived of the benefits of the single market by their government's sluggishness can take the national authority to

court. More worryingly for the bar-

In practice, EC business is already upset about the burdens allegedly imposed by the transitional system

rier-free market, efficient member states - such as Denmark, which has transposed more than 95 per cent of the relevant legislation - could theoreti-cally block the import of goods manufactured under rules which had not been altered to

which are usually so sensitive that member states have been unable to agree. In most cases they were not even part of the single market programme: Energy. Energy liberalisation was excluded from the 1985 Cockfield white paper, and recent discussions on how to open up gas and electricity

Member states have already, albeit reluctantly, agreed to allow some cross-border transit of electricity and gas, and some countries favour linked proposals to improve the transparency of companies' accounts and end monopoly rights over electricity production and the construction of energy networks. But they balk at the idea of giving consumers the right to buy their energy from any supplier in

Commission proposals should have given large users the right to "third party access", as it is known, from January 1, with the possibility of small users being granted the benefits from 1996. But the UK, the EC's strongest advo-

Under this permanent system husinesses would henefit from the same advantages as consumers, who can now but all goods, except cars and mailorder items, at local VAT rates. in practice, EC husiness is already upset about the burdens allegedly imposed by the transitional system, and may resist another change as early

Other important derogations include: freedom for insurance companies to set up and do business across the Community (July 1994); the "single passport" for stockbrokers and banks to deal shares across the EC (January 1996, with banks' access to exchanges in Spain, Portugal and Greeca delayed still further); and open compe-tition for airlines, which have been able to set any fare they want from January 1, but will not be able to fly any route they choose (including "domesflights in one member state) before April 1997. • Omissions: These are areas

the Community and the measures have not been agreed. Telecoms. The Commission. often using special powers to override EC members' objecthrough measures to liberalise the EC market in telecoms services and equipment. But it markets have led nowhere.

telephone calls in the EC was excessive but said there would have to be yet more consultation with the industry and consumers before legislation could he introduced. Postal services. Moves to open up mail services to com-

cate of energy liberalisation. petition are lagging behind liberalisation of the telecoms section during its presidency of tor, but the story is roughly the same. A discussion paper produced by the Commission last May stepped back from suggesting immediate liberalisation of mail services, although tions, has already pushed in due course Brussels may produce legislation to open up direct mail, cross-border and

ran up against heavy opposi-

ordinary phone calls.

Progress has been

slowest in company law

as member states see

this as less vital than

was originally thought

has fought sby of putting pres-· Company law. This is the sure on member states to liberarea of the single market white alise the most obvious area slowest. That is not because A long-awaited review of the the measures under consider sector, published by the Comation are particularly sensitive mission in October, pointed out - although Britaln, among

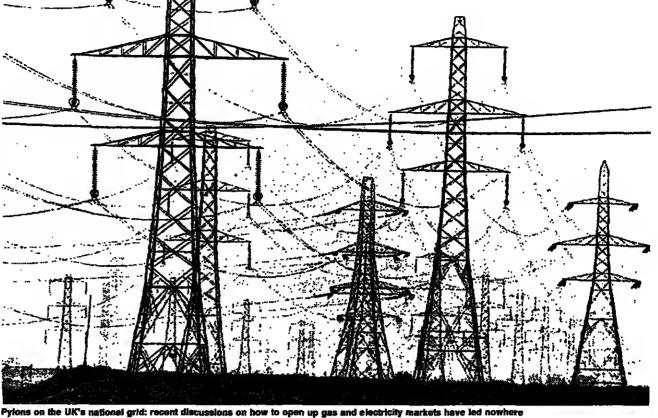
express postal services.

that the cost of cross-border nthers, objects to clauses on worker participation - hut because member states seem to have decided that such legislation is less essential than Lord Cockfield and his colleagues originally thought. Even moves to agree a voluntary **European Company Statute for** multinationals have stalled over the last year, while a measure to harmonise takeover procedure across the Community has been dropped altogether. (See separate article.) A single currency. This is so obvious that it is often over-

looked. EC leaders agreed at

Maastricht that a single currency would be in place by 1999 at the latest, but that "deadline" is subject to ratification of the treaty hy national parliaments and to strict economic

Logic says that the Ecu would be an indispensable part of the single market; politics notably in Denmark and the UK - could mean that it ends up the most important omission of the lot.



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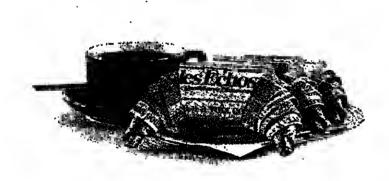
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THE idea that we are now in a new era of EC-wide consumer homogeneity would please consumer goods' brand managers everywhere - it would make life a lot more simple - but we are far from that.

The member states of the European Community still have vastly differing national legislation on just about every facet of consumer life; everything from toy advertising to a legal definition of low alcohol beer has yet to be harmonised. And as bigger fish - such as a common currency, or common taxation policies – have yet to be fully fried, subsidiarity, the principle permitting decisions to be made at the lowest possible level of community life, is likely to be applied with regularity when it comes to consumer matters.

All manner of issues affecting not only consumer choice hut manufacturing and exporting plans bave yet to be determined. While the EC has abandoned plans to compile "recipe laws" stipulating what a particular product must contain, proposals on minimum standards of food hygiene, labelling and the use of additives have

yet to be agreed on. Some barriers have come down; a product legally available in one member state must be allowed into the other 11 which will pose problems in

THE YEAR of the completion

of the single market has also

been the year in which the

Maastricht treaty tottered on

the hrink, mainly because of a

loss of confidence by Europe's

citizeos in the Community's

ing competition in European

industry contributes to

destroying rather than creat-

ing jobs.
That this is not an altogether

accurate, fair or complete pic

ture is beside the point. Enro-

pean Commission president

Jacques Delors summarised

the situation five days before

the Maastricht treaty squeaked

through September's referen-

duni lu France: "Either Europe

will become more and more

democratic ... or Europe will be uo more". If citizens are not

persuaded there is something

in it for them, then the game is

Since "Europe" came into

being 40 years ago, it has been

the enterprise of the élites. The

Paris weekly, Le Nouvel Obser-

pateur, captured how most peo-

before the French referendum.

It published a photograph of a

sharp-suited man agaiust a

backdrop of the 12-starred EC

flag - with a paper bag over

In spite of its remoteness and

facelessness, the EC's over-

whelming benefit to people has been its interlocking of

uational interests in a way

which precludes war between

Europe's leading powers. But

Matching consumers with products is the challenge facing corporations, writes Gary Mead

Variety remains the spice of life

pornography.

Other areas of as yet untested freedom of consumer choice-include the removal of restrictions on imports of duty and VAT paid goods. in the UK the law may swiftly be ren-dered absurd. The customs and excise have suggested import limits "for personal use" of 10 litres of spirits, 90 litres of wine, 110 litres of beer and 800 cigarettes; anything above that may be deemed for "commercial use" and thus subject to UK imposed duty. The restrictions currently imposed on duty or VAT free goods will continue in place until June 30,

Given the discrepancies between duty levels in the UK and elsewhere in the EC on alcohol and tobacco, the single market's most immediate effect in consumer terms may well be to give a boost to the vehicle rental husinesses of south coast ports, as people rent trucks to stock up across the Channel

Some significant consumer

legislation will take time to filter through, particularly the EC's product safety directive which applies from Jnne 1994 - which states that goode must be safe during "normal or reasonably foreseeable use* and unlike current UK legisistion will also apply to secondhand products - threatening severely to dent the popularity

Differences between the various member states are likely to defeat attempts to cajole them Into homogenelty

of car boot sales, one of the few growth areas of the UK economy in recent times. All EC countries will be required to implement a scheme to withdraw dangerous products from the market.

Another consumer-friendly piece of legislation will start to make itself felt in early 1993. an "eco-lahei" on domestic electrical products, showing that they meet certain energy

and water efficiency criteria. Eventually this lahelling is expected to be carried by all manufacturers of such prod-

Draft EC legislation on food claims in advertising is likely to be adopted by the Commis-sion early this year, and is expected to establish a general principle that claims abould not he false or misleading. Claims made in food advertising will have to be substantiated ou the label. Responsibility for regulating claims will probably rest with delegated authorities of the member

But these and other legislative manoenvres affecting advertisers and consumers, the sub-text of which cometimes appears to be the construction of a standardised consumer rather than a standardised consumable, need to be seen in the context of subterraueau changes occuring in the fabric

of European society. The differences between the various member states' populations, their habits and prefer-

ences are likely to defeet attempts to cajole them into homogeneity. The EC is more complex in its internal divisions and perhaps more resistant to imposed legislative change than its Eurocrats

might wish.

For one thing, certain mem-ber states are likely to show much faster population growth than others; some will contract. According to the marketing research organisation NTC. over the next 30 years the Netherlands' population is expected to increase by more than 13 per cent, while Italy's will shrink by 7.4 per cent. Growth is expected in the UK. Portugal, Greece and France. while Ireland, Denmark, Spain. Germany and Belgium are all likely to follow Italy's downward path.

Overlaying that are profound changes already at work in the structure of the family, none of which lend themselves to the positing of a pan-European pat-tern. While it is estimated that 5 per cent of all families in the EC are now single-parent. 61

per cent of those are located in the north-west of Europe; in Denmark, more than 25 per cent of families with children are beaded by a single parent.
A north-south divide exists within the EC over the nature of the family, with the traditional family structure holding up in the southern EC memhers, and crumbling in its

Regional disparities present problems for companies marketing their products from a fixed global viewpoint

northern. Moreover, other evidence snggests that while there exists a superficial appearance of bomogeneity of certain important factors - such as personal disposable income on a national level, regional disparlties are cropping up

throughout the EC. According to research hy the Henley Centre for Forecasting (Frontiers 1991/1992). "the

divergence in prosperity across European regions is often wider within countries than across them. Italians from Lombardy have a personal disposable income twice as high as that as of consumers in Campania or Calabria ... consumers in the Balearles or

Catalonia have 60 per cent more disposable income than consumers from Extremadura or Andalucia." Such regional disparities inordinately complicate the

business plans of companies seeking to market their products from a fixed global view-While it might make perfect

cost sense to forge ahead with a pan-European television advertising campaign for a hranded consumer item when looked at purely from intra-national levels, it might be less attractive when it is realised that nationally-calculated figures often disguise considerable regional differences.

The EC's own data suggest that average per capita income disparities are widening; in the

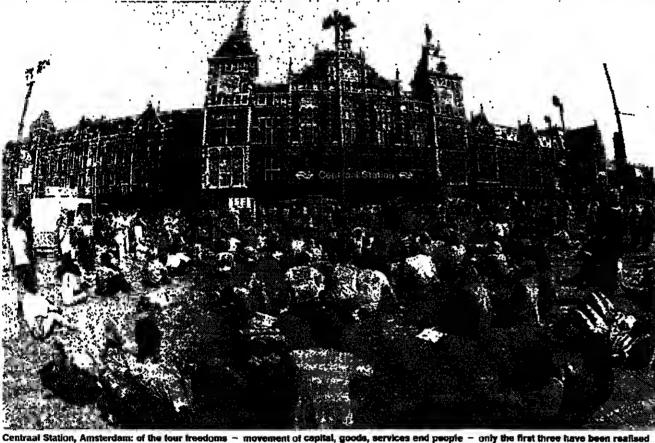
25 poorest regions of the EC it fell to 56 per cent (from 57 per cent) of the EC average between 1980-88, while in the 25 richest regions it grew to 137 per cent (from 135 per cent). One of the central objects of Maastricht is the creation of

common European citizenship. Large global corporations have been slowly adopting globallyaimed advertising strategies, in the belief that consumers the world over are gradually losing

their differences.
Up to a point that may be true. But the challenge for corporations within the single market will be highly complicated. First they must understand the developing legislative, economic, social and demographic distinctions

within the single market. Then they need to finely tune their marketing decisions for successful communication via the plethora of new, highly fragmented, media outlets particularly the continuing explosion of satellite and cable television channels, which, with the imminent technological revolution of digital compression, will mean even more hroadcasting possibilities.

Somewhere out there is a consumer who perfectly matches your product. The growing problem will be identifying where they live and letting them know you, too, exist.





David Gardner finds that ordinary people have yet to feel the benefits of the Community

Citizens sceptical about their prospects

leaders, institutions, and poligranted. Modern Europeans have discounted it, and fear EC "Ever closer union" among centralisation. Yet, at the same European nations is not widely perceived to be creating a time, they expect of the Com-Europe for people - a demo-cratic polity in which sovermunity practical benefits, soch as job-creation, which it does not really have the power to eign memher states work

supranationally producing visihle henefits for their citizens. Throughout the almost glacial progress of European inte-gration, the member states The EC is increasingly seen as an organisation which does rather more for business than have guarded their national for people; is undemocratic, prerogatives jealously. As a quasi-federation, the EC has iutrusive and unaccountable; and which by hyperintensifyheen built up almost back-to-

Whereas a conventional federal system, such as the US or Germany, starts by pooling

WHIRLPOOL is the largest

large domestic appliance man-

ufacturer in the world. Yet, hy the late 1980s, the Michigan-based company had virtually

no presence in Europe.

foreign policy and defence, macroeconomic co-ordination and monetary policy, the EC started with modest items like coal and steel, wheat and milk. Only through the still unratifled Maastricht treaty has It hroached a common foreign and security policy and a single currency.

The relaunch of EC integration, moreover, came through the single market, a battery of 282 measures designed to create a barrier-free economy in Europe. The Twelve organised flatten their part of the level playing field. For the average citizen, however, the experience appears to have been

Many of the single market measures have appeared intrusive, and at first glance often seem more properly the con-cern of local councils, rather than unelected bureaucrats and national ministers making decisions behind closed doors in Brussels.

At one level, there has been a bonanza of tabloid headlines this exercise centrally, to the extent that not all member ranging from alleged plans to ranging from alleged plans to suppress prawn cocktail crisps to decrees defining a standard Euro-condom. But alongside the trivia, there is genuine concern about the effect of many of the measures that have been

adopted over the past four

Of the single market's four freedoms - in the movement of capital, goods, services and people - only the first three have been realised. This achievement has increased competition during a European downturn and rising unem-

Taken together with the failure to agree free movement overall enterprise looks a lopsided bargain, tilted heavily

towards business.

EC leaders - most of them impopular at home and eager to pass the buck to the Euroan Commission for misfired BC measures that national ministers decide on — concluded in the second half of last year that decision-making had to be brought "closer to

No populists they the 12 heads of government chose as their primary vehicle "snbsid-iarity" - meaning that there - meaning that there

measures would be ineffectual. While subsidiarity was never going to enter anybody's ver-nacular, this dehate quickly moved from quasi-theology to

naked power politics. Big member states such as the UK and Germany tried - and failed to use it to emasculate the monopoly right of the Commission to propose measures, which is viewed by the smaller and poorer EC members as the guarantor of their interests in

the Community. Then the Euro-sceptical UK. which held the EC presidency in the second half of last year, tried to roll back some 65 laws and proposals strengthening workers' and consumers' rights, and environmental

standards. These are the most popular policy areas, particularly in the semi-detached member state of Denmark, for whose voters subsidiarity was put on the

agenda after they rejected Maastricht last June. At December's Edinburgh snmmlt, an agreement was reached, preserving the balance of power in the EC. It will make Brussels more cautious about the ideas it brings forward and the closed-door Council of Ministers of the Twelve more user-friendly, since important policy debates will, from February 1. be televised

for the press. There is a danger, however, that Brussels will be inhibited in scting in areas such as the environment and free move ment for people, for fear of upsetting member govern-

The subsidiarity debate was handled with opportunism by governments so that mud stuck to "Brussels" - synonymous in most people's minds with the whole European enterprise. It also served as a smokescreen to obscure the real issues of democracy and

accountability.

It is unlikely that the EC can continue for long in this way. This is not because there is some mass movement rattling the Eurocracy's gates demanding to be let in, but because, on the coutrary, apethy and resentment are increasingly denying popular legitimacy to the EC – as last year's polls, referends and restive national

parliaments demonstrated. To reverse this, EC decisions will have to be seen to be more open, more scrutinised in the European Parliament and national parliaments. And their content will have to be more popular, if not populist -Nikki Tait giving citizens a greater stake in Europe.

Corporate strategy: why a US appliance giant sided with Philips

A Whirlpool romance

This was an omission widely acknowledged at the manufac turer's top ranks. David Whit-man, the company's chairman, has said that his company mapped out a long-term strategy in the mid-1980s which recognised that there was little growth to be had in the US appliance market, that there was more likely to be solid demand and future growth overseas, and that there would be substantial lowering, or tic appliance division.

Europe by 1992. In fact, the company's inter-ual estimates suggested that would account for a larger proportion of global appliance demand than the US.

removal of trade barriers in

By 1987, Whirlpool was talking to Philips, the Dutch electronics group and Europe's facturer. Those discussions

were interrupted by the crash in the world stockmarkets, but by August of the following year, the two companies had struck a deal. Whirlpool paid Philips around \$500m for a 53 per cent stake in a new joint venture company, which - to all intents and purposes -took over Philips' large domes-

At the time, both companies envisaged that Whirlpool might become the sole owner of the European business -Philips with the right to sell its minority stake to the US company and the US company with the right to ask the Dutch to sell. Three years later everything went to plan; Whirlpool duly bought out the remaining 47 per cent of the equity for about \$610m.

The relatively slow hand-

over of the Philips business was mirrored at the operational level. Whirlpool recognised at the outset that its own name - although extremely familiar to the average shopper in the US would carry little weight in



Europe, compared with the old-established Philips brand. With this in mind, Whirlpool was given the right to use the Philips name on appli-ances in Europe until 1998 -loug after the potential huy-out of the remaining minority stake, and the date set for European harmonisation. Accordingly, the com-

pany decided, in early 1990, to adopt a "dual-branding" approach to products mar-keted in Europe. It placed both companies' names ou products it was selling in the European market, with a view to phasing out the Philips tag once its own name gained recognition. Alongside the middle-range Philips/Whirlpool brand, lt continued to develop the "Banknecht" name as a premium high-end brand and to use the "Ignis" and "Laden" names for

value-conscious" consumers. Brand trausfers bave worked in the past - and Whirlpool says its programme is ahead of schedule. It is now advertising solely under its own name in four European markets, incloding the UK, although product packaging still carries dnal-branding

there. It plans to move to pure single-branding in a few ected markets next year. On the operational front,

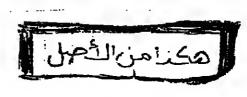
Whirlpool'e approach has also changed over time. In 1991, it effectively created two business units - one to support the Bauknecht brand and one to market Philips/Whiripool. Ignis and Laden products. Marketing and sales activities for the brands were to remain separate in each country, while after-sales services were consolidated into single offices in each market.

Last antumn, the company announced that it was creating three distinct sales regions within the EC. The first encompasses Germany, Austria, Switzerland, the Netherlands and Denmark; the secand embraces France, Spain,

Portugal and Belgium; Norway, Ireland, Finland and the UK make up the third. In addition, Italy remains a separately-managed area, as are the interests ln Czechoslovakia

and Hungary.
Support services and sales resources will be chared within these regions, and a new central logistics department would aim to maximise distribution efficiency. The aim is to replace the previous, fragmented national warehouse network with regional distribution centres, as the trade barriers between countries come down and Europe's transportation industry is steadily deregulated.

Finally, on the manufactur-ing front, there has been a general reorganisation around product groups — a process which has been proceeding for some time. Laundry and dish-washer development centres will be located lu Germany and refrigeration and cooking product centres in Italy.



Women will get a growing share of jobs, writes Catherine Milton

Sex equality is not all that it seems

WOMEN are likely to win the bulk of the new jobs expected to be created in the European Community over the next two decades. This may, however, have some double-edged conse-quences for both national labour markets and for women

It could contribute to the continuing high levels of EC unemployment. One reason EC joblessness has continued at such levels is that about 70 per cent of the new jobs created between the end of 1985 and the end of 1990 went to previously unwaged women, rather than the registered unemployed.

This trend appears to be entrenched. The European Commission predicts that previously unwaged women will take up most of the 25m new jobs it expects by 2010.

The consequences for women themselves are far from straightforward. Their position in the future EC will depend in large part on whether they are working full or part-time and on the national labour market systems within which they

Recent research*, as yet unpublished, has found that both between different groups of women workers and across the different member states (Data was not available for

The research, which was completed for the European Commission's Network of Experts on the Situation of Women in the Labour Market, says: "Women's increasing par-ticlpation in alt the labour markets of the EC over the past decade might be expected to indicate increasing convergence in the lahour market

In some EC states and occupations, part-time work is less of a barrier to professional status than in others

positions of men and women. Evidence ... suggests no such

expectation is justified." About 30 per cent of the jobs created between 1985 and 1990 were part-time and EC employers are expected to increase their demand for part-time workers, many of whom are likely to be women, over the next two decades.

The research, which is based women's work is polarising, on an analysis of the most comprehensive labour market data available for EC countries, supports the recent finding by the OECD that "female part-timers are more restricted to a limited range of low paid, low status johs than female

in all EC countries women part-timers are more likely to work in female-dominated or "feminised" occupations than full-timers. Part-timers are also more likely to be in lower level jobs than are women full-tim-

full-timers'

The researchers warn that overall measures of occupational segregation may, however, mask divergent trends and levels of segregation for full-time women workers, compared with part-timers and hetween the different EC lahour markets.

The report says: "Overall measures of segregation are not necessarily very revealing as the net change reflects the result of two trends pulling in opposite directions: firstly a tendency for women to be increasing their share of professional and higher level jobs, but secondly a tendency increasing their concentration of employment in sectors

heavily overrepresented, notably in clerical and some service sectors." The research reveals that

where they were already

women's status at work varies considerably, even between those member states with similar levels of development and of female participation in the labour market.

For example, in the UK female part-timers dominate lower level jobs in catering whereas in France both fult and part-timer of both sexes are more evenly represented in

Also, in some EC countries and occupations, part-time professional status than in others. In female-dominated professions such as teaching. for example, part-time women workers bave a relatively higher share of professional jobs in Germany. Greece and the Netherlands.

In contrast, in Denmark, France, Portugal and the UK part-timers generally have a lower share of the professional jobs or have shares only equal to their share of all jobs in the total labour market.

The research says: "This example suggests that within



Crêpe stall in Paris: 'temale part-timers are more restricted to a limited range of low paid, low status jobs than female !ull-timers

feminised professions, there is the main goal - increasing coosiderable scope for variety in the extent to which part-time working is utilised and in some countries part-time work may be just as

The study appears to undermine the argument that It is necessary for women to work in the lower level is sometimes characterised as

common in professional areas."

women's participation in the workforce.

For example, like Denmark and the UK, the Netherlands bas high levels of women working part-time. However, unlike Denmark and the UK, the Netherlands has a relatively low level of total female participation within the

paid workforce. The research suggests that

World investors are keen to secure a foothold in the EC, says Michael Cassell

this is because the labour market systems of member states will also have an influence on women's occupational segregation into low status jobs within feminised sectors.

It says that In some countries the opportunities for part-time working in higher level jobs seem to be greater and therefore the association skill concentration is reduced. *Occupational Segregation and Evidence from the Europeon Community. Jill Rubery ond Collette Fagan, November 1993, Manchester School Monagement, University of Monchester Institute of Science and Technology with the European Commission Network on the Situation of Women in

Consumer tastes are becoming more daring

Drinks sector sees the birth of the Euro-palate

THE Euro-consumer is still a shadowy species, but one that is slowly gaining substance as national tastes converge, according to market research

In the drinks sector, a few more people every year are converted from traditional, locally-produced spirits to international brands of whisky and cognac, Many soft drinks find increasing acceptance across frontiers.

Northern Europeans are drinking more wine; and sonthern Europeans are acquiring a thirst for heer. While the Germans, the continent's heavlest beer drinkers, consumption of 142 litres a head during the 1980s. Spanish consumption rose 36 per cent to 72 litres, and the Portuguese lifted their intake a staggering 68 per cent to 61

Throughout the decade, the British ale drinker continued to develop a taste for continen-

Britain has been much more receptive to foreign products since the late development of its lager market

tal lager, bringing another note of harmony into the European beer market.

At least one Dntch barman in Friesland no longer tries to make UK visitors feel at home hy scraping the froth off a glass of Pils and jovially presenting them with "an English beer".

But the fact that Europe's beer drinkers nnw have more tastes in common does not mean that by the end of the decade everybody will be drinking the same few brands.

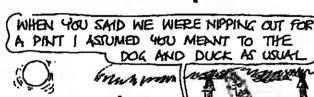
Lager dominates the market hnt there is a huge variety of hrands and, on the whole, each country still prefers its

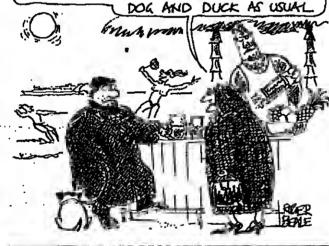
Consumer loyalty to local hrews is strongest in Germany, which accounts for more than a third of European beer consumption. The country supports 1,150 hrewers and rather more breweries. The Reinheitsgebot purity laws, which required the use of only water, barley, bops and yeast in making beer, long proved a barrier to imports.

But even since the laws were rescinded in 1987, imports have risen by a mere 0.5 per cent, and still represent less than 2 per cent of consump-

Few believe, huwever, that such a situation can survive for much longer; and Carlsberg of Denmark, and Grolsch of the Netherlands have recently acquired German

Britain has been much more receptive to foreign products since the late development of its lager market - with even Sol, a Mexican lager served with a wedge of lime in the bottle, in the repertoire. One in three glasses of lager drunk in the UK is a continental brand; and ahout the same amount is shared by Australian, US, Canadian and other







A range of beers: pan-European hrands have been difficult to establish

It has been difficult to establish pan-European brands amid such diversity. Heineken. nf the Netherlands, the most pan-European of brewers, controls only 9.6 per cent of the market, and the Heineken brand itself accounts for a mere 3.4 per cent.

Carlsberg, the Danish brewer, has an estimated 6 per cent market share, but sales of lts eponymons hrand account for little more than 2 per cent.

These two brewers, both dominant in their own countries, have achieved their preeminence in Europe through wholly-owned subsidiaries, acquisitions, joint ventures or licensing agreements in almost every EC state.

Thus Heineken owns Dreher in ftaly, Murphy's in Ireland, Athenian in Greece, El Aguila in Spain, and Française de Brasserie in France, while its mainstream brand is brewed under licence in the UK by

Carlsberg owns Hannen in Germany, and bas stakes in Poretti of ftaly, Unicer of Portugal, and Cruz Campo of Spain. It is forming a joint venture with Allied-Lyons in the UK, and is brewed under licence in several other coun-

With such widespread distrihution, and sold as part of portfolios of local products, Heineken and Corlsberg

should continue to grow into true pan-European brands.

Further contenders for such status may emerge from the continuing consolidation of the industry - the growing presence of BSN, the French brewer in the countries of southern Europe, suggests its Kronenbourg brand is one pos-

But during the 1990s, consumers seem likely to be more adventurous in their tastes, demanding a greater chnice of quality beers of all kinds.

Brewers may find it more profitable to cater for strong niche markets than chase mainstream volume. Snch markets are already

emerging - In the revival of cask-conditioned regional ales in the UK, in the rediscovery of wheat beers in Germany, and the growing popularity of Belgium's specialty beers seasoned with fruit or spices.

Consumers are relishing the flavnurs - the malt and hops of English ales nr the coriander of Belgian white beer after the hlandness of so much

Some products are acquiring the cachet of fine wines; and they should find an equally appreciative and permanent

Philip Rawstorne

The attractions are still strong WHATEVER the political and

economic uncertainties currently eoveloping the European Community, it remains the target for huge, inward flows of investment aimed at securing a foothold in the world's largest trading bloc. For while the dehate over

Europe's future has acquired new and broader dimensions, the EC remains primarily a partnership of trading nations offering those operating within it access to a marketplace of unparallelled potential.

The scale of the market, the

diversity of its customers, the prospect for continuing expansion and the promise of relative political and economic stahility have combined as critical factors in helping to attract globe.

With fears receding that a protectionist Europe will emerge in the wake of the single market - unless final failure to agree the Uruguay round of the General Agreement on Tariffs and Trade leads to global trade warfare investors have continued to give high priority to raising their exposure to the European marketplace.

In 1991, estimates suggest that total inward investment into the EC countries reached \$65bn, with the US and Japan topping the league of big

For the US, Europe has long been a main target for external investment, though the everpresent threat to its trading relationship with the community was forcefully underlined with its threat to impose penal tariffs on a range of EC products in the event of a Gatt hreakdown.

For Japan, the political crisis over the future of the Maastricht treaty has created considerable alarm. The country's cumulative Interest in the EC already amounts to more than 55hn. Although that is less than half the level of invest-

1993 No border checks for goods as Jan 1: the trontler-controlled VAT and excise system is abolished, together with 50m lax forms

Government curbs on eir fares

Exchange controls ended, but Greece given extension

Single merket extended to six Ette states in second helt of 1993

Passport checks for Internal EC flights should end in December, but UK, Denmark and Ireland me

Open competition for all public authority contracts, including utilities

Stockbrokers get "single pas to operate anywhere in EC

1997: Single VAT system applied to traders end consumers, if member-states agree to a permanent change

1999: Duty-tree sales and on internal fights and larry crossings

2000: Free internet merket in cars -deadline for removing all controls on Japanese impons

Bents able to deal on all EC stock exchanges except in Greece, Portugal and Spain

Airtnes can ily any route within EC

Single market : checklist

ment it has in the US, the European market is potentially Hopes for a balanced, mutu-

ally beneficial, political and trading relationship hetween the EC and Japan manifested themseives in the jolot Hague declaration of 1991. But the continuing, huge trade Imbalance in Japan's favour - \$27bn in 1991 - and the obstacles to doing husiness lo Japan Itself ensure that tensions will con-

Japan's approach is further complicated by considerable variations in the strength of its bilateral relations with individual EC states.

Some EC officials claim Japan still plays off member states against one another

maintained its position as the single largest benefactor of the inflow of investment from Japan and from most other non-EC nations. Only the US beats the UK performance as a recipient of overseas funds. The UK continues to account

A high level of investment continues in traditional

manufacturing as well as in high-tech business

for around one-third of all incoming EC investment. Its share reached a peak of oearly

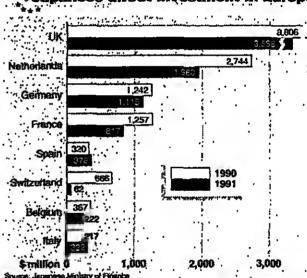
Japanese direct investment in Europe

investment decisions. The UK has apparently

40 per cent in 1990. Japan has almost twice as

much investment in Britain as in other EC countries while the UK's share of US investment within the community amounts to more than the combined totals recorded by Germany, the Netherlands and

The dehate over whether Britain's attractions are a reflection of its innate weak-



nesses or strengths remains as lively as ever.

While ministers portray its success as a ringing endorsement of its open, free market economy, without controls on currency movements or remittance of profits, critics paint a rather different picture.

The counter-argument suggests that Britain offers investors a relatively cheap base for operations, offering high work-place skills and a lahour market unencumbered hy many of the obligations set down in employment laws in force elsewhere in Europe.

Britain's isolation in refusing

to sign the social chapter of the Maastricht treaty might well reinforce the image, although it may also serve to underline lts attractions for some inward investors.

France is the next most popular location for inward investment - accounting for something approaching 20 per cent of the total - with Belgium next on 14 per cent.

The popularity of Germany

also rising, given the comparative strength of its economy and the potential for exploiting business opportunities in former east Germany. Contrary to some expecta-

as a target for inward funds is

tions, incoming investment in Europe is not overwhelmingly coocentrated in high-tech husinesses, but continues also at a high level in traditional manufacturing activities.

The big question now, however, is whether the flow of corporate iovestment into Europe has peaked. Figures indicate that the pro-

cess has, in the short-term at least, slowed down dramatically. The 1991 total for inward investment fell by \$20bn on the previous year. The latest slow-down, almost

certain to have been continued in 1992, is, in part, a reflection not only of the impact of recession in Europe hut also of weak domestic conditions within the inward investing In addition, many husinesses

principal investments withIn the European market and are not maintaining hudgets at the same level

Nor does the recent disarray within EC member states over the next phases of European development - combined with the continuing threat that Denmark might yet provoke another crisis of confidence provide the preferred backdrop for continuing inward invest-

There is also the question of how the community can hest expioit the continuing, inward flow of investment funds. The EC recognises the economic imbalances which already exist within its boundaries but progress at evening them out has

The Commission itself recently acknowledged that regional differences remained comparable with those which existed 20 years ago. The completion of the single market means that capital and labour will increasingly locate where the physical and economic environment is most attrac-

In spite of a doubling of the structural funds, the resources for promoting regional development remain small. The voiumes of investment required to help promote broadly-hased economic development are enormous but there is scope for encouraging new, inward investment to bein redress the

existing imhalances. According to the Centre for Urban and Regional Development Studies at Newcastic University: "EC regional policy needs to be reformulated in such a way as to ensure that the huge amount of investment flows towards the less favoured regions and avoids the currently wasteful practice of national and regional hodies spending vast amounts competing for inward investment.

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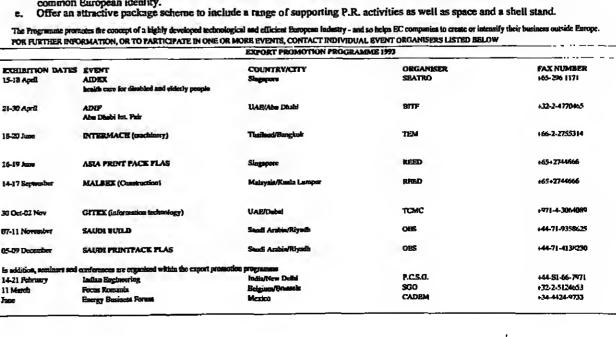
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Edward Balls analyses the structure of Europe's unemployment

The wages of rigidity

THE LABOUR market is the Achilles heel of the European econnmy. High and persistent unemployment across the continent are the most direct, and most distressing, manifestation of Europe's labour deficiencies. But unemployment is just one product of the more general problem of inflexibility and immobility that threatens to hamper Europe's single mar-

The OECD, in its latest economic nutlook, calculates that total unemployment in OECD European countries will rise to 19.9m in the first quarter of this year . Mnre than 80 per cent of Europe's unemployed are located in EC member countries. The EC unemployment rate is expected to be 10.7 per cent of the total workforce. up from 8.4 per cent in 1990. This quarter's EC rate compares with 7.4 per cent in the US and 2.3 per cent in Japan. There is surprisingly little

national variatinn in unemployment rates among the largest EC countries. Italy, at 11 per cent, had the highest unemployment rate of the fnur largest countries in 1992, followed by France with 10.3 per cent, the UK with 10.1 per cent and Germany with 7.6 per cent. But many of the southern Eurnpean states have much higher unemployment rates with Spain's 18 per cent the The EC's high unemploy-

ment rate is, in part, a reflection of Europe's poor recent grnwth record. EC grnss domestic product is expected to have risen by 1.1 per cent in 1992 compared with 1.8 per cent in both the US and Japan. But even when growth does eventually return to Europe, the Community may remain hampered by high unemployment. EC unemployment rates have remained at persistently high levels for more than a decade. The average EC unemployment rate in the 1980s was 9.6 per cent of the workforce,

was 7.2 per cent in the 1980s and 6.7 per cent in 1974-79. Why does Europe have more unemployment than the US? One commonly cited reason is unemployment benefits. In the US, most men are disqualified

up from 4.8 per cent in the

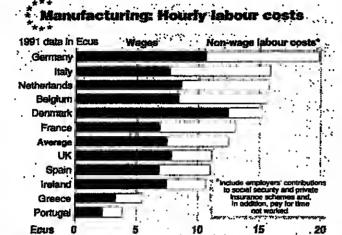
period 1974-79. The US average

from receiving any kind of welfare support after 26 weeks. In Europe, by contrast, unemploy-ment benefits tend to be both more generous and

The second reason is the relative rigidity of real wages in Europe compared with the US because of Europe's more regulated labour markets and more effective trade unions. The OECD calculates that the amnunt of unemployment needed to keep inflation from rising is much bigber in Europe than in the US, Japan or Sweden. To reduce inflation by nne percentage point, unemnon-employment rates similar to those in Europe. Only Japan and Sweden have low non-emplnyment rates by OECD stan-

In continental Europe, this rise was largely reflected in the unemployment statistics. Elsewhere - the UK, Australia, Canada and Sweden - the rise in activity was at least as important as the rise in unemployment.

The conventional view that Europe has a more serinus problem of johlessness than the US is misleading. The fact that the US has less generous unemployment benefits and



ployment must rise by more than twice as much in EC countries as in OECD countries nverall, and by four times more than in the US.

Yet, these unemployment rates tell merely part of the unemployment story. They only include people whn are available and looking for work. They exclude the "economically lnactive": people wbo have no jobs but have given up searching for employment, In fact, there has been a sharp rise in male inactivity across the developed world over the past decade, particularly among older and younger men and the unskilled.

Non-employment rates, the sum of the unemployed and the "inactive" as a percentage of the population, are much more constant across countries than unemployment rates. The US, Canada and Australia have

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mnre flexible real wages does not mean that the US bas less non-employment. Instead, they explain why much of this US non-employment fails to show up in the jobless statistics.

In the US, where wages are very flexible, the real wages of the lnwest-paid 10 per cent of workers have fallen by 30 per cent since 1970. Very low relative wages for unskilled jobs, and the absecce of income support for single men, help to explain the rise ln crime among less educated men. In continental Europe, by

contrast, the relative rigidity of wages, and high unemployment henefits has prevented unskilled real wages from falling but employers have been unwilling to hire the unskilled at those wages.

The downside of America's less regulated labour market is more non-employment outside

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advantage is a much more impressive record of employment growth, particularly for women and young people, albeit in lower paid and often part-time occupations.

US total employment grew by an average 2.6 per cent a year between 1983 and 1989. compared with just 1.0 per cent for the EC. Employment in Britain's deregulated labnur market grew by an average 2.0 per cent a year over the same period. Both the UK and US have higher female participation rates and lower women and youth nnemployment rates then continental Europe.

But the US bas one additional and unambiguous advantage - the mobility of its population. The pattern of US employment growth is not equal across states but the US does not have persistent high or lnw unemployment regions. Regional problems caused by unequal rates of economic growth are offset by migration.

Research by Mr Larry Katz and Mr Olivier Blanchard, published last year hy the Brookings Institution, shows that if employment in a particular state falls by 1,000 in any year. then, on average, 300 workers stay unemployed, fifty drop ont of the labour force and 650 leave the state. Eventually, out-migration erases the effect on unemployment and participation rates.

Migration does not play this equilibrating role to anything like the same extent in European countries, let alone across national borders. in 1987, 2.8 per cent of the US population changed their state of residence compared to 1.1 per cent of Germans who changed their region of residence, L3 per cent in France and 1.1 per cent in the UK.

The European single market should encourage the creation of new jobs in the Community but the geographic distribution of these jobs is unlikely to be evenly spread. The inflow of migrants from eastern Europe and north Africa may improve the currently low levels of mobility of EC workers. But, for now, the relative immobillty of the EC workforce remains an important barrier to economic integration.

Pledges to workers have mixed success, says David Goodhart

Slow growth limits benefits

THE "social dimension" of the European Community was relaunched by Mr Jacques Delors in 1989 to win the support of organised labour inr greater economic integration and to address the fear that labour as a whole could lose out from the free market drive of the single market. It has been remarkably successful in achieving the first goal, rather less so in achieving the second. The 1989 social action pro-

gramme contained a series ni measures, from improving bealth and safety, establishing minimum rights for pregnant women, young people and part-time workers, to imposing EC-wide limits nn the working week. But thanks to slower growth throughout the EC, and successful blocking by the UK government, few of the important measures have so far

become directives. If the Maastricht treaty is passed, its "social chapter". which Britain has npted-ont of, will in theory make it easier to push through more social and employment legislation by majority vote. But that also lonks unlikely at present.

Most member states are reluctant to adopt any policies that might reduce compentiveness or provide succour to Britain, regarded as the "Hong-Knng of Europe". And even within the European Commission's social affairs Directorate General 5 the leading strategists of the social dimension privately accept that a less amhitious approach to legislation is required.

What is the case for the social dimension? Some supporters, especially in the richer EC countries, have argued that the harmonisation of minimum rights at work across the Community is required to orevent "social dumping". That means capital flowing to areas where labour is least protected, triggering downward pressure on standards in other countries.

There is little evidence that an increase in social dumping is accompanying the arrival of the single market. That may be because the low wage economies, such as Spain, Portugal and Greece, have quite strictly regulated labour markets, making them unpopular with hig business. It may also be because unit labour costs are remarkably similar all over the EC, in other words the high wage countries justify higher pay scales with high productiv-ity while low wage countries have low productivity to

There has, however, been a big increase in cross-border takeover activity by EC-based multinationals, inspiring the draft directive on European give employees an EC-wide voice in corporate affairs.

But apart from a few highly specialised groups, such as airline pilots, there is little sign that EC wide collective hargaining or an EC labour mar-ket is emerging. Only 2m EC nationals work permanently in another EC country and the number has actually declined in the past 10 years. Yet there is a broader, more

"political", case for the social dimension as a counter-balance to the forces unleashed by the single market. Mr Robert Lindley, of Warwick University, summarises lt thus: "While capital is more

mobile than labour, financial capital is more mobile than



Coal at Calais docks: rising Imports undermine European Jobs (picture: Colin Beere)



industrial capital. Combine the There are 12 dlfferent rigours of the single market systems of industrial relations with those of free capital movein the EC and while there are ment and there arises a situapatterns of similarity which link some of them, there are also big differences in the role tion in which financial markets bave apparently been of the law, the power of unions, and the structure of handed much greater power to impose their judgments of performances and priorities upon the workings of the other conworking life. Southern member states, for example, tend to have low stituents of the EC economy."

The measures ontlined in the social action programme are an attempt to ensure that the jndgments of one of those other constituents - labour do not go completely unheard. But hy stressing harmonisation against de-regulation and EC-wide rules against subsidiarity the architects of the social dimension have risked trespassing on an area of economic life strongly coloured by

national differences.

France have weak unions but strong labour laws. Most of the northern European states have strong labour laws and institutionalised "social partnership" collaboration hetwean organised labour and capital.

female participation and little

part-time work. Spain and

The Christian Democrat/Social Democrat consensus that prevails in most continental European countries invariably gives labour a powerful institu-

EC Commission line up 1993-94

tional voice even where collective bargaining is weak. -Britain, with its laissez-faire regulatory framework but historically strong (although now weakened) unions, is out on a limb. And its liberal hire and fire rules, widespread use of "atypical" work patterns, and long working hours, make it the most affected by the regulatory regime the Commission has been trying to impose.

Although the Commission denies it is trying to impose a particular model of industrial relations on the EC it clearly leans towards the Germanic. model with its strong labour laws and legally-backed voice for employees.

Whether, in the longer run, the Commission succeeds in establishing a "European model" remains to be seen. There is some evidence that the "Germanic" model, already heavily plagiarised by Holland and Belgium, is spreading into France, but otherwise there has been little spontaneous convergence. Indeed, if there has been a common trend over the past decade it is towards de-regulation and a weakening of social partnership, although that bas gone further in the UK than elsewbere.

Looking ahead, European lahonr faces a tough time. European monetary integration will impose a single inflation and interest rate, and rule out devaluation, with the result that the strain of economic adjustment will fall on wages and employment in the weaker countries. And without co-ordinated wage increases across Europe those countries with high unit labour cost increases, such as Britain and Italy, will see lost competitiveness flow directly into joh

The social dimension affords potentially dramatic effects of monetary integration. But it should not be written off com-pletely and, interestingly, it survived virtually unscathed from the Edinburgh summit review of suhsidiarity. Currently, in the UK, the government's drive to contract oot central and local government services has been thrown into confusion by one of the oldest pieces of EC employment legislation, known as the acquired

rights directive. The social dimension is undeniably suffering a cyclical down turn, as it has done before, but it has also established itself as a fact of life across large areas of working life in the EC.

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Corporate strategy: long range planning from Japan

How foresight saved money

FOR TOSHIBA, the Japanese electronics group, the removal of most of Western Europe's internal tariff barriers on Jannary 1 was just the latest stage in a long and unhurried aeries of changes in one of its higgest

Almost a decade ago, the company established a task force in Tokyo to study changes taking place in the European Community. Six senior managers from depart-ments such as corporate plan-ning, finance and accounts and personnel spent a year study-

ing the issue.

They filed a many-volumed report to top management in May 1985 which recommended, amnng other things, the creation of a regional co-ordination centre in Europe.
In Octnber 1989, a small

European co-ordinating office was established in central London. Mr Takeo Fujii, the leader of the team which wrote the 1985 report, became its head. A branch office was soon opened in Brussels. It has just three staff, one Japanese, one local recruit, picked for his knnwledge of the European Commission and its directives, and a secretary.

One reason for the gentle pace and limited resources given to the project was that

Toshiba was growing quickly in Europe's fragmented markets in any case.

Individual operating divisinns had already set up shop in Europe. The first manufac-turing centre, for televisions in Plymouth, Devon, was establisbed in the 1970s. Manufacturing is now spread across Europe, with semiconductors and VCRs made in Germany and microwave ovens and pho-

ual countries before going to dealers and shops. The output of office automation equip-ment, for example, is co-ordi-nated from Düsseldorf, but bouses in each country.

TOSHIBA

more than 5,000 people in 11 European conntries. Almost half work at manufacturing subsidiarles and Toshiba Corporatinn shares are listed on nine European bourses. Sales in Europe are worth Y65bn with Germany and the UK accounting for almost half the total. France taking 17 per cent and Italy 11 per cent.

Distribution ls strongly based on national borders. Almost all the output is sent to

products are routed via ware-It is a system that is likely to continue for some time, says Mr Fujii. Markets atill have

national characteristics, especially for products that are

tocopiers in France. There are elgbt divisions, including finance and hasic research, that operate almost entirely independently. Their only point of common contact in Europe is Mr Fujii's London

Those eight divisions employ

retailed France has its own technical standards for televisions. Ger-many has ultra-strict rules on the design of microwave ovens, and its consumers have, until very recently, refused to huy flat screen televisions, preferring the older, more rounded screens. Toshiba even had to

buy its picture tubes for the German market from European manufacturers Thomson and Phillips. There are exceptions. Some television picture tubes are bought by other manufactur-ers. Since there are a small number of industrial buyers

which each order a lot of units, the tubes are ahipped directly to them from plants in the US.

Mr Fujii says there will be few changes in procedures in the short term. The company will have to deal with new forms of paperwork, dealing with sales tax and importexport statistics, and is having to set up new systems to cope.

"Once tha computers have been set up, I bope costs will be lower," be says In the longer term, some parts of distribution may be

centralised. The company is considering cities soch as Hanover or Barcelona for the estab-lishment of a distribution logistics" centre, especially to deal with products that are imported from outside Europe.

Eventually, it should be possible to distribute directly from, say, Germany, to retailers in Italy nr Spain. But Mr Fujii does not helieve this will happen soon in spite of a widespread belief among colleagues in Japan that 1993 has ushered in a perfect single market in

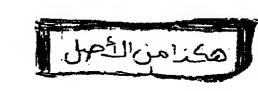
Europe.
"Most Japanese may dream of a unified [European] market, but personally I see nnly small changes," he says. "Fnr the time being, country-by-country structures will remain. Different markets bave different needs. We are not in a hurry."

Daniei Green



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Jonathan S Schwarz traces the uneven progress towards a uniform taxation system

There's a long, long trail awinding

ever, since revenue-raising by Tax rates in the EC Governments is regarded as at the heart of sovereignty, the development of a European tax Principal corporation tax When the Single European

tax law. Nevertheless, a unified tax system is now discernible, particularly in the indirect tax field, with new items being added to the agenda all the

The longest standing element of European Community tax law is the common customs duty regime. A single Commu-nity customs law sets rules for the import of goods into the community and provides for their valuation. European Community regulation apecifies the valuation of goods for

Although implementation and collection of customs duty is handled by member states, collaboration is ensured by the customs co-operation council Once goods have crossed the customs frontiers around the community, they enter into free circulation and may be traded freely without further customs duty. As part of the single market, agreementa have now also been reached on the harmonisation of excise duties relating to tobacco, alco-

Fiscal barriers have been identified as an important inhibition to intra-community trade and investment. How-

HARMONISATION of tax

systems in the European Com-

munity has been on the politi-

cal agenda since the EC'e

syetem has been a long and tortuous process. Act was passed in 1987, it was recognised that taxation, unlike other targets for harmonisation, was ao close to the states' national interests that majority voting did not apply. As a result, the unanimous approval of member states is required to introduce new EC

Value added tax(VAT) is perhaps tha real European Community tax. It was introduced into community law by the customs purposes. first VAT directive in 1967 and all states were required to

adopt a common syetem by Not only is VAT established under community law which all members are required to implement, but because a portion of the tax collected is paid to the community directly, and forms part of its own resources, it is also a European

The introduction of the interim VAT regime on January 1, 1993 was a major step towards disregarding intracommunity boundaries in determining how the aupply of goods should be taxed.

Although the method adopted ie complex, it is designed to move towards a system where transactions hetween member states will be taxed in the same way as transactione within a single member state.

While the adoption of a 15 per cent minimum standard rate of VAT has required only Germany, Luxembourg and Spain to increase their rates, psychologically it has reinforced the idea of VAT as a common European tax. Furthermore, the European

Court of Justice has shown lit-

tle tolerance for member states which attempt to impose turn-over taxes that do not comply with community law, or fail to implement the tax directives properly. Virtually no member state has escaped judgment on

Direct taxation has not proceeded at the same rate as the indirect tax system. Although proposals for corporate tax harmonisation have been around for more than two decades, it is only at the beginning of 1992 that two corporate tax directives entered into effect.

The parent and subsidiary companies directive aims at eliminating the withholding of taxes on payments across

eliminating double taxation on distributions paid by subsidiaries to their parent companies in other member states. The second directive is designed to facilitate tax free cross-border corporate mergers, acquisitions, divisions and sbare-for-share exchangea. Both directives have, however, been criticised as being incomto their precise scope and

meaning.
Member states have also been slow to introduce implementing legislation, and the manner in which the directives have been implemented varies noticeably from one member state to another. As a result, the term "harmonisation" is perhape inappropriate. The Treaty of Rome talks of approximation of laws and this is a more realistic description of the manner in which these

directives actually take effect. Thus while the two directives may present a picture of a common system, in practice wide variations mean that the rules of member states differ significantly and only have some common features.

In the case of the mergers directive, implementation is further inhibited by the fact that in several member states, corporate law has not kept pace with tax developments, and therefore transactions which are contemplated under the directives cannot be implemented under existing corporate law. Other difficultiee arise because the directive only covers corporation taxes, whereas in practice such trans-

WE CAN HELP, BUT YOU'LL APPRELIATE THE POSSIBILITIES FOR TAX EXIES ARE DININISHING

actions are often affected by a variety of other taxes notably stamp duties, registration and transfer taxes.

In addition to the two corporation tax directives, a treaty was eigned between all memher states in an attempt to harmonise the rules relating to inter-company transfer pricing. The arbitration treaty provides for a common standard of measuring arm's length prices, as well as for an arbitration mechanism in the event of differences between the treatment of transfer pricing adjustments

between the member states. While arbitration bas been advocated as a method of resolving such difficulty by many practitioners, the treaty has yet to be ratified by all member states. Even when it does enter into effect, it has a

and many doubt whether this is sufficient time to test the

system thoroughly. While success in achieving a unified system in the direct tax field has been limited, in practice there bas been convergence between European corporate tax systema in a number of respects. The first and most obvious is an alignment of mainstream corporation tax rates.

rates between 33 and 40 per cent. In addition, most member states, at least during the 1980s, attempted to broaden tbeir tax bases and reduce rates. A variety of incentives, such as investment tax credits and accelerated depreciation. have been eliminated gener-

Most countries have tax

While the taxation commislimited initial life of six years sioner, Mrs Christiane Scriv-

ener, has approved this process some countries, such as Belgium, bave been concarned that excessive tax competition between states would cause undue pressure to be brought on the governments. This has not prevented Belgium along with Luxembourg from enter-ing into competition with the Netherlands to produce the ideal European holding company location.

The Ruding committee appointed by the Commission to consider the future of direct tax harmonisation in the EC produced a detailed report containing ambitious proposals for a European tax system whose introduction was to be geared to the stages of economic and by the Maastricht Treaty.

Uncertainty about Maastricht and turmoil in the currency markets, which has thrown into question the very existence of the European exchange rate mechanism, has sbarply halted progress towards economic and mone tary union.

The Commission has, however, proposed a more modest programme of measuree designed to facilitate cross-border transactions within the community, including extending the current parent subsidiary directive to all forms of company and to payments of interests and royalties. A proposal has also been made to enable European groups to use cross-border losses. Mrs Scrivener believes that surb measures would go some way towards eliminating tax disad vantages of cross-border

investment and trade. With the Commission under fire for its alleged tendencies towards centralisation, she is reluctant to push member states too far. ☐ Jonathan S Schwarz is o partner of Paisner & Co. City solicitors and Editor of the FT World Tax Report

Corporate strategy: a Franco-Swedish combine hits the road

Classic industrial response to the open market place

THE nearly three-year-old alliance between Renault and Volvo, the French and Swedish car and truck makers, is a classic industrial response to the competitive challenges and opportunities thrown up hy the single market.

77.74

When the pair exchanged minority stakes in 1990, they cited as reasons the growing competition in their industry. the costs of stringent environmental rules and the increase in investment needed to keep pace with technology.

The purpose has been to share these burdens by spreading costs and ultimately to work towards a full merger. which both partners would dearly like to achieve.

A merger looked poesible early last year but was subsequently shelved due to changes in the French govern-

ment's attitude. Losses at Volvo provoked the former government of Mrs Edith Cresson to have second thoughts about the deal. The present government, under Mr Pierre Bérégovoy, has no euch donbts, but it does not have the opportunity to pass the legislation needed to pave the way for a merger because of

the closeness of tha legislative on their own hat add up to DERIATITY

If the partnership has been a political balancing act, it has also required some fine indement in husiness terms. Renif they were one company, and the vital need to keep their brand identities separate, so as

ault and Volvo have had to strike a delicate balance between their pledge to act as

not to steal shares of a declining market from each other. This explains why the alli-

ance has made more progress in their car husinesses, where Renault and Volvo occupy clearly different markels, than in trucks, where they compete. Like the single market Itself. the Renault-Volvo alliance has advanced gradually in small steps, which look uninspiring

mnch progress. Renault executives say the results have been far more encouraging than they expected.

The first step, early in 1990 after the agreement to exchange shareholdings, was the creation of a joint car and trnck research centre in France. This is studying joint components like gearboxee and rear axles for trucks and common stamped steel sheets for truck cabs. In cars, the

centre is working on areas like safety, new materials and alternative fuels.

Another early step was the establishment of joint component purchasing committees for hoth cars and trucks, which have since evolved into formal joint ventures last June, to represent both compa-nies to their main suppliers.

This could turn out to be the ance, since the partners' car making divisions already huy 15 per cent of components from common suppliers and components represent twothirds of Renault's manufacturing costs. In trucks, the partners say 60 per cent of their suppliers are shared. Volvo estimates that, as a result, its group will save SKr800m annually in the next two to five years, though Renault has not given a precise estimate.

The partners have also agreed to exchange some car engines, saving Renault an estimated FFr1bn on its development bill to date. Volvo's Dutch plant is to take a Renault diesel engine and economy two-litre petrol driven unit, while Renault is to take a Volvo two-litre 16-valve petrol engine for a future model. There are no plans to swap truck engines because they feel that the engine is a part of

a truck's marketing identity. There will, however, be some joint products in specific areas, always under the proviso that they will keep their marques separate. A jointly developed range of top of the line executive cars, for example, is planned for sala in Europe by the year 2000.

They will use common platforms, engines and gearboxes but have different body styles and ba cold as separate marques through the partners' respective dealerships. There are no such plans for

a common truck, though the pair are jointly developing a low floor commuter bus, due to come on to the market this year or next. Again, it will be sold under different names, either as

Heuliez, the French bus maker controlled by Renault Véhicules Industriels and Volvo Bus, or as Volvo alone. On marketing, the pair partially merged their French car and light commercial vehicles

sales divisions just over a year ago, but have no plans to do so Overall, the general pattern at Renault and Volvo has been to combine forces where there are clear common interests,

but to stay apart where their interests might clash. It is a difficult balance to get right, just as much between companies as between nations, as the recent history of the European Community Itself shows.

William Dawkins

Andrew Hill on the obstacles to a single law for companies

Divided we still stand

THE European Company Statute (ECS) is nearly a quarter of a century old, but it has not yet been born.

The proposal, dreamed up by the European Commission in 1970, was supposed to provide a single corporate structure for multinationals in the EC. Instead of having to find their way around different national systems and set up a network of PLCs, SAs, NVs, AGs and SpAs, multinationals would be able to establish a single SE - "Societas Europaea" - un-

der Community law. Lawyers' fees would be slashed, adminis trative nightmares banished and large European companies could get on with making

money. But what seemed a smart idea - or just plain common sense - has repeatedly stumbled on the very national differences it hoped to eliminate. Twice revived since 1970, ECS was even added to the fasttrack single market programme only to suffer the indignity of being overtaken by newly-minted directives in other fields. As 1993 begine, and despite member states efforts over the past 18 months, the ECS is still under negotia-

The ECS would be voluntary. but the principal obstacle to agreement has been the proposal'e detailed requirements for employee participation in the management of SEs. Britain is particularly opposed to such obligations, while Germany, which already has strong rules on worker partici-

pation, is in favour.
"In theory, people are interested in the idea of incorporating as a European company and that's an attractive prospect." comments one British official. "But when they see what's on the table they are less impressed.

At the most recent ministerial discussion of the ECS under British chairmanship last November - it was agreed that any company seeking to register would have initial subscribed capital of Ecn120,000. and would conform to the defi-nition of public limited companies in the member state of registration. But the ministers made no headway on the question of worker participation and will have to return to the ECS during the next six months, under the Danish

presidency. Yet the plight of the European Company Statute is as nothing compared to the fate of its company law siblings in the original 1985 single market programme. Indeed, this is the principal area where the ambitions of Lord Cockfield, then internal market commissioner. have not been realised.

Early on, member states adopted measures which allow loose collaboration between companies, under the clumsysounding title of a European Economic Interest Grouping (EEIG). This initiativa has enjoyed a modicum of success since it came into force in July 1989 - some 350 BEIGs have been created - but, as the Commission itself makes clear, "it is an instrument for economic co-operation, not for integration".

Memher states have also adopted measures on disclosure requirements for company hranches set up in another Community country, a directive enabling sole individuals to operate as a private limited company, and amendments to earlier directives on the content, auditing and publication of accounts.

But there has been stalemate

the Edinburgh summit last

in the principal areas for har-

takeover bids. This directive is since the 1970s. backed, among others, by liberal economists, who believe tive - which lays out harmonthere will be no genuine free movement of capital in the Community until rorporate predators can hunt across borders following a single EC takeover code. But its potentially far-reaching proposals for a single threshold - above which blds would have to be launched - and harmonised rules on the content and publication of offer documents may never see the light of day. At

Attempts to forge a Europe-wide company law remain stalemated after 25 years, and this remains the main area in which Lord Cockfield's Single Market dreams have not been realised

monisation of company law: · Fifth company law directive. This is a measure which goes back nearly as far as the ECS, and covers roughly the same ground. The difference is that it would establish a compulsory European statute for virtually all public limited companies. As a result, it bas been attacked by the same member states which oppose the ECS. For months it bas been regarded as a "low priority", even by Brussels, which chosen to concentrate on

the ECS: Tenth directive on cross border mergers. Another low priority for the Commission,

asure has also fallen foul of British objections to worker participation because it allows member states to prevent cross-border exchanges of shares if employees are deprived of rights of representation as a result of the deal. • Thirteenth directive on

month, EC leaders agreed that the controversial measure went into "excessive detail".

If it survives at all, the takeover directive will be replaced by a list of "general principles" which would then be fleshed out by individual member But in Brussels and beyond

there are few tears being shed about the apparent failure of the single market company law programme. The main reason for this is that neither Commission nor member states any longer regard the measures as essential to the operation of the single market. For one thing, much of the

nitty-gritty of EC corporate law had already been adopted by the time the single market programme was launched. The series of unnamed company law directives are numbered one to 13. Some of those measures have sunk without trace. but others have been operating

lsed publication requirements for the incorporation and winding-up of companies - was adopted as early as 1968. In addition, other single market measures, aimed, for example, at eliminating double taxation for companies with subsidiaries in other EC rountries have beloed ease the burden for genuinely European corporations.

The first company law direc-

More importantly, much of the corporate restructuring and economic boom predicted by advocates of the single market has already happened - largely without the aid of a harmonised European company law and weli ahead of the 1993 deadline.

As a recent upbeat Commission assessment of the programme points out, mergers and acquisitions involving companies from different EC countries inrreased threefold between 1984 and 1989 - while the value of such deals rose by 700 per cent.

"All the available evidence points to one inescapable conclusion - EC business hae moved swiftly to make the moet of these new possibili-

ties," says the report. There is a third reason why proposals to harmonise company law now appear to be merely the icing on the single market cake, and therefore dispensable: the current recession has taken the edge off corporate deal-makers' appetites. reducing the pressure for a single European company statute. or a single takeover code. But assuming that recession lifts and the single market takes off, the ECS may yet get the





Retail banks prefer to stay in their own national High Streets, writes Robert Peston

A non-migratory species

ANYONE walking down the high street of a provincial European town is unlikely to

encounter a foreign bank. In Margate's high street, there are branches of Midland. Lloyds, National Westminster and Barclays. Across the chan-nel in Dieppe, Crédit Lyonnais, Crédit Agricole and Banque Nationale de Paris are to be

But the French banks have not migrated en masse to the UK nor hava the British ones to France.

This may seem odd, given that banking is regarded as one of the more international industries. Indeed, the provision of banking services to blg companies became a transnational husiness long before the European Community single market programme hegan to take shape.

However, retail banking providing services to individuals and small companies - is still on the whole a domestic husiness. A range of cultural, tax and regulatory obstacles have combined to prevent the creation of a single market in retail banking products.

A typical example of a barrier to international competition was enconntered recently hy the UK bank Barclays in France. In the autumn, it tried to get around a Freuch government ban on interest-bearing

AT FIRST glance, it seems

surprising that the move

towards a single market was

not a large factor in the cre-

ation in June, 1989. of GEC Als-

thom, one of Europe's big three

power engineering and trans-

The formation of the com-

pany from the power and

transportation product husi-

nesses of the UK's GEC and

what was then CGE of France

owed more to developments in

the world markets for these

products, the need to be big

enough to continue financing

product development and com-

pete internationally, and the

requirement to reduce manu-

But the company recognised

that Europe was to he its home

market, even if the single mar-

facturing overcapacity.

portation equipment groups.



current accounts by launching a new product which combined a non-interest paving current account with an automatic sweep mechanism to shift a customer's surplus funds into

a money market account. There was uproar from French banks, which were concerned that their profitability would he squeezed if they responded by offering similar products. However, the French finance minister, Mr Michel Sapin, came to their rescue in

mid October hy announcing a prohlhition on automatic sweep mechanisms.

So Barclays was deprived of the ability to market a product widely available in the rest of Europe - to the possible detriment of French consumers.

This incident illustrates the severe limits of the single market programme encourage gennine international competition in retail hanking. The various European Community banking

barriers to competition. They relate mainly to the levels of capital which EC banks must have to continue in business (The Own Funds and Solvency Ratio directives) and the way in which banks are supervised (the Second Consolidated Supervision Directive and the Second Banking Directive).

directives which come into

effect on January 1 will do

nothing to remove such

The Second Banking Directive is the most important new BC banking legislation. It creates a "passport" for EC banks, which allows any hank authorised to do business in an EC country to set up hranches in another EC country, without the need to get the permission of the supervisor in that other country.

In theory, therefore, it

reduces the costs and complications for EC-hased hanks of expanding within the EC. An example of a cost-saving move which some hanks are contemplating as a result of the directive is to convert various subsidiaries scattered throughoot Europe into hranches. This would release capital held by each of the subsidiaries for use by the parent bank.

The directive will have more significant ramifications for

England will for example spend far less time monitoring the financial affairs of branches of foreign EC banks. The Bank's supervisory department will continue to take an Interest in the liquidity of such a branch, but responsibility for monitoring its financial health in a more

parent hank's domestic supervisor. Because there remain significant obstacles to success transnational retail banking within the EC, no

detailed way will rest with the

New EC rules allow any authorised bank to open branches in another EC country without the need for local permission

bank is currently engaged in developing a Enrope-wide network of branches.

Though a number of banks, snch as Barclays, National Westminster, Credit Lyonnais and Deutsche, have retail networks ln different countries, they have typically managed each conntry's network as an antonomous business - with its own local brand name, financial system and management.

Only one bank bas

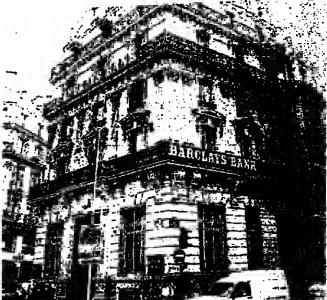
bank supervisors. The Bank of attempted to use its own brand name, system and products in branches scattered throughout search European countries. Paradoxically this bank is not European, hut is America's

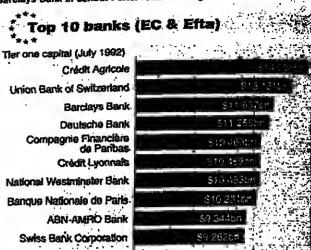
> The record of Citibank's European operations has been patchy. For the time heing, therefore, European banks may use computers rather than expensive branches to deliver services acruss frontiers within the EC.

The way forward may have been shown by Royal Bank of Scotland, which has developed an electronic system, IBOS, for linking Its branches with those of Credit Commercial dc France, Spain's Banch Santander and Banco de Comercin e Industria in Portugal.

The idea is that any enstomer of one of these banks, whether a company or individual, can have access to a full range of hanking services even if he or she is travelling abroad within

Although RBS's plan for EC hanking may not be Napoleonic in its ambition, it has the virtue that the costs of IBOS are modest - which is reassnring given the chequered history of most banks' ventures outside their





Corporate strategy: a Franco-British bid for a place in the power game

Realignment in a world market

decision to merge. About 60 per cent of sales are to countries within the EC, and GEC Alsthom expects the figure to stay between 50 and 60 per cent in the next few years.

GEC Alsthom's organisation - a Dutch holding company and national companies - was driven hy the existing legal and fiscal regimes rather than any potential implications of a single market. But the company's industrial strategy was to become as competitive as possible by the development of regard to geographic location. through a series of multinational product-driven divisions. A clear example of this is in steam turhines and generators, where GEC Alsthom has concentrated on four specialist units to get the benefit of R&D rationalisation and volume manufacture, and to maximise the use of fixed assets. "The consequence of this," It says. "is that we only have a European product and no longer have an exclusive British or

Alsthom was also keen to grow its European base by expanding outside its two home countries. In particular, it has made acquisitions in Germany (including two boiler makers in eastern Germany), in the Spanish rail transport industry, and in Italy. Belgium and Switzer-

Three years on, the company has no reason to change its structure. "We always thought that, even with the emergence of the Single Market, a strong local market close to the customers would be a plus and It still proves to be correct. Beyond that our choice in running a company through a series of multinational product-driven divisions has proved

GEC ALSTHOM

a very sensible decision in the light of the Single Market." One of the advantages for GEC Alsthom in taking this approach is in dealings with a single market that varies from product to product in its "singieness". Assuming that the EC continues to exist in something like its present form, the company suspects a "substantial implementation" of a single market by the end of the

In the meantime the company has to deal with sectors such as the rail industry. where national standards, operating practices and the dominance of a single customer has perpetuated a system where suppliers and customers have worked together to develop products for domes-But similar relationships in

the power industry are now being weakened, at least in the UK where the power industry has been privatised, and elsewhere in Europe with the emergence of huild-and-operate private sector power stations.

The company has no doubt that, as a European company with only about 20 per cent of its capacity outside the EC, it is much better in competitive terms to be within the single market than trying to penetrate from outside.

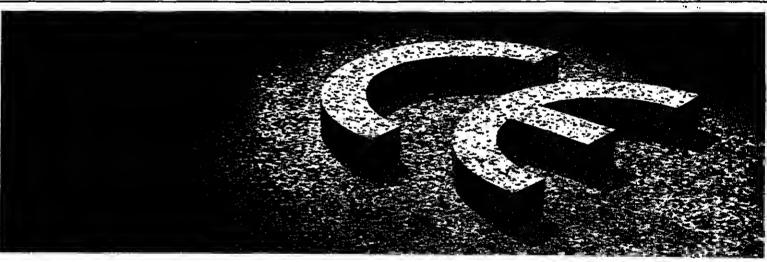
That presence could become more important for large engineering companies such as GEC Alsthom in view of the EC's new rules for opening up public procurement contracts to competitive bidding. These

will continue the process of loosening the close ties between suppliers and public customers in some Enropean markets.

Looking hack on the past three years, GEC Alsthom says it has learnt from the experience of operating in the EC's different domestic markets; and has been able to increase the amount of inter-country activities on particular projects. "Such lessons as we have learnt as the single market approaches have been learnt because the people who make up the management of GEC Alsthom have succeeded in fusing together their individual experience as Britons, Frenchmen, Germans, Spaniards, Belgians, or other nationals."

Andrew Baxter

French turbine generator." From its earliest days, GEC ket was not predominant in the areas of excellence without If you're selling in the EC, we can help you pass your CE.



WHAT IS CE ABOUT? The new 'CE Mark' is a kind of passport for your products, enabling them to be exported. freely to any EC country. It is already a legal requirement for many products and will soon affect virtually every UK business.

The 'CE Mark' is not a mark of quality, safety or environmental friendliness. It is a declaration to the Market Inspectors throughout the EC that your product complies with all the appropriate EC directives.

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HOW DO I APPLY THE CE MARK? It can be complicated, but it is vital that you know which EC directives already affect your business and which new directives are about to become law. There are already eleven enforceable directives. Some of them relate to particular products - like the safety of toys. Others are very wide-ranging covering, for example, the safety of all industrial machinery and the compatibility of electromagnetic devices:

The easiest way to protect your business is to get some expert advice to guide you through the EC legislation. This is where BSI can help.

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